JOHNSON & JOHNSON HEALTH CARE SYSTEMS INC.
AMENDMENT TO SUPPLY AGREEMENT

Customer Name: **Omnicare, Inc.**
Customer Address: **100 East River Center Blvd., Suite 1500**
Covington, KY 41011

REDACTED

Contract Number: **HCS0068**
Contract Effective Date: **April 1, 1997**
Amendment Effective Date: **February 1, 1999**

The above-referenced Agreement is amended as follows:

1) The following Levaquin® rebate schedule will be added to the "Performance Measurement – Rebate Matrices" in the above referenced Agreement. This rebate schedule will replace all existing Levaquin® and Floxin® pricing.

REBATE SCHEDULE

Product	Criteria	Transition Period (12 months from the effective date of this amendment)	Tier 1	Tier 2	Tier 3
LEVAQUIN® Tablets	Market Share (*) Rebate	NA 6%	<50% 0%	≥50% 15%(**)	[redacted]
LEVAQUIN® IV	Market Share (*) Rebate	NA 5%	<50% 0%	≥50% to 70% 5%	>70% 7%

(*) For the first 12 months following effective date of the Amendment, Omnicare's Levaquin market share will be calculated including Levaquin and Floxin NDC in the Numerator. At the end of this 12 month period, and ***going forward****, Levaquin market share will be calculated using only Levaquin NDC in the Numerator.*

(**) Maximum incentive (including up-front discount and back end rebate), as stipulate by the "Best Price" clause in the above mentioned agreement.

a) Supplier will pay Rebates during the 12 month Transition Period as long as Customer achieves the following market share milestones for Levaquin Tablets:

Timeline	Market Share
6 months following the effective date of this Amendment	35%
9 months following the effective date of this Amendment	40%

In the event Customer's performance during the Transition Period exceeds 50% market share, Customer will immediately qualify for the corresponding Rebate.

b) For the calculation of rebates, Supplier will use all of Customer's Levaquin® utilization within each Defined Market, as described in the above mentioned Agreement. However, in the calculation of Customer's market share, Customer may delay the inclusion of pharmacies recently acquired. Such new entities will be folded in Customer's membership, for the purpose of calculating market share, after Customer and Supplier agree in writing to include such new entities. Such decision will be made on a quarterly basis, during Business Review meetings between Customer and Supplier. In any event, integration of a new entity into Customer's membership cannot be delayed for more than 12 months following Customer's notification to Supplier of the acquisition a new pharmacy.

INTERVENTIONS

All Rebates are contingent upon the existence of and adherence to the following interventions:

- Levaquin® will have a Selected formulary position and will be first line therapy for quinolones, when clinically appropriate and indicated. For the purpose of this Amendment, "Selected" shall mean Levaquin® competes against other branded Drugs (in its Defined Market) on an equal basis, with all cost management controls and interventions being equal, for labeled indications. In addition, Levaquin® is favored, when clinically appropriate and indicated, over all other branded Drugs also available
- During the first quarter following the effective date of this Amendment, Customer will inform attending physicians of Levaquin®'s addition to the formulary as the Selected quinolone..
- Levaquin® will be stocked in E-boxes and Customer agrees to a verification system, to be determined and implemented within the first quarter following the effective date of this Amendment.
- Customer's appropriate personnel will actively participate in educational and promotional programs discussing Levaquin®'s clinical advantages. Supplier will organize such programs.
- Customer will facilitate access of Suppliers representatives to its Participating Sites

2) The attached "Quinolone Antibiotics Oral" and "Antibiotics I.V." Defined Markets will replace "Quinolone Antibiotics" and all "Respiratory Antifungals" Defined Markets (oral and IV). The attached Defined Markets will be used in calculating Levaquin®'s market share.

This Amendment does not supersede, eliminate or change any part of the aforementioned Agreement except as specifically stated. The remainder of the aforementioned Agreement shall remain intact.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to the Agreement to be executed by their respective officers or representatives duly authorized to do so.

CUSTOMER

Dan Maloney
Date 11/12/98
Director of Purchasing

SUPPLIER

Denny Sherrill 11/12/98
Date
Corporate Account Director

11/13/98
Jean-Pierre Geronimi Date
Director, Business Analysis

DEFINED MARKET

Product	Dose/Package Size	NDC Number	Dacon Units
	QUINOLONE ANTIBIOTICS (ORAL)		
CIPRO	100 mg CYSTITIS PAK	00026 8511 XX	2
CIPRO	100 mg	00026 8511 XX	2
CIPRO	250 mg	00026 8512 XX	2
CIPRO	500 mg	00026 8513 XX	2
CIPRO	750 mg	00026 8514 XX	2
LEVAQUIN®	250 mg TABLET	00045 1520 XX	1
LEVAQUIN®	500 mg TABLET	00045 1525 XX	1
FLOXIN ®	200 MG	00062 1540 XX	2
FLOXIN ®	300 MG	00062 1541 XX	2
FLOXIN ®	400 MG	00062 1542 XX	2
TROVAN	100 mg	00049 3780 XX	1
TROVAN	200 mg	00049 3790 XX	1
	ANTIBIOTICS (IV)		
CIPRO	I.V. 200 mg/100 ml D5W	00026 8552 36	2
CIPRO	I.V. 400 mg/200 ml D5W	00026 8554 63	2
CIPRO	I.V. 10 mg/ml VIAL	00026 8562 20	2
CIPRO	I.V. 10 mg/ml VIAL	00026 8564 64	2
CIPRO	I.V. 10 mg/ml VIAL	00026 8566 65	2
FLOXIN®	I.V. 40 mg/ml VIAL	00062 1550 01	2
FLOXIN®	I.V. 20 mg/ml VIAL	00062 1551 01	2
FLOXIN®	I.V. 4 mg/ml MINI-BAG	00062 1552 01	2
FLOXIN®	I.V. 4 mg/ml MINI-BAG	00062 1553 01	2
LEVAQUIN®	250 mg INJECTION PREMIX (50ml)	00045 0067 01	1
LEVAQUIN®	500 mg INJECTION PREMIX (100ml)	00045 0068 01	1
LEVAQUIN®	500 mg 25mg/ml INJECTION SINGLE-USE (20ml	00045 0069 51	1
ROCEPHIN	250 mg VIAL	00004 1962 01	1
ROCEPHIN	250 mg VIAL	00004 1962 02	1
ROCEPHIN	500 mg VIAL	00004 1963 01	1
ROCEPHIN	500 mg VIAL	00004 1963 02	1
ROCEPHIN	500 mg KIT	00004 1963 39	1
ROCEPHIN	1 g VIAL	00004 1964 01	1
ROCEPHIN	1 g PIGGYBACK	00004 1964 02	1
ROCEPHIN	1 g VIAL	00004 1964 04	1
ROCEPHIN	ADD-VANTAGE 1 g	00004 1964 05	1
ROCEPHIN	1 g KIT	00004 1964 39	1
ROCEPHIN	2 g VIAL	00004 1965 01	1
ROCEPHIN	2 g PIGGYBACK	00004 1965 02	1
ROCEPHIN	ADD-VANTAGE 2 g	00004 1965 05	1
ROCEPHIN	10 g VIAL	00004 1971 01	1
ROCEPHIN	1 g/DEXTROSE 2.4	00004 2002 78	1
ROCEPHIN	2 g/DEXTROSE 2.4	00004 2003 78	1
TROVAN	I.V. 40ml	00049 3890 XX	1
TROVAN	I.V. 60ml	00049 3900 XX	1

Omnicare, Inc.

Date: July 19, 1999

Prepared by:

Bruce Cummins
Long Term Care Business Group, Account Director

Colleen Jones
Long Term Care Business Group, Business Manager

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I. Executive Summary

Omnicare, Inc. is the largest independent provider of professional pharmacy and related services for long term care initiatives such as nursing homes, retirement centers, and other institutional facilities. Omnicare services 617,300 residents in 8,600 facilities across the United States. This represents over 100 pharmacy locations and 30% of the long-term care market. Omnicare is headquartered in Covington, Ky.

Omnicare's growth over the past 4 years has been approximately 30%, exceeding the rate of the consolidating post-acute care market. Omnicare currently represents 30% of the market. It represented 28% in 1998, 24% in 1997, 20% in 1996, 14% of the market in 1995, and 9% of the market in 1994. Omnicare's vision is to grow by 60,000 beds per year and be servicing over 700,000 post-acute care beds by the year 2000, representing over 35% of this market segment.

The latest major acquisition, announced in June, 1999, was Life Care Centers of America, Inc., based in Cleveland, Tennessee, is one of the nation's largest privately owned operators of skilled nursing, assisted living, and retirement facilities with approximately 233 facilities servicing more than 31,000 residents in 28 states.

Despite its growth trend of acquiring independent pharmacies, Omnicare has quickly taken control of its business units' purchasing functions. Omnicare has a strict corporate policy of compliance with therapeutic substitution, interchange, and dispensing of Omnicare Select products. It is through this venue that Omnicare is able to move market share of selected products. An example is the success that Levaquin® has had at Omnicare. Levaquin has jumped from a 12% share in January of 1999 to 41% in June for the entire anri-infective market.

Current Business Situation

Business Overview

Omnicare is traded on the New York Stock Exchange under the symbol OCR. Through its rapid expansion period, Omnicare has remained financially strong. Omnicare is currently operating with zero debt. Annual sales are in excess of 1.5 billion dollars and grew by 68% in 1998. Net income in 1998 rose 65% over 1997 to $80.4 million. Earnings per share rose 70% in 1998. Revenues reflect acquisitions of long-term care pharmacy providers and sustained internal growth.

Omnicare's stock has slipped during the second quarter of 1999 to around $13 per share. Throughout 1998 Omnicare's stock was trading in the $25-$30 price range. Much of the freefall can be attributed to the effects that Prospective Payment has had on the system. The stock has been added to the S&P Mid Cap 400.

In the second quarter of 1999 the Company failed to reach analysts' estimates of .34 cents per share. Omnicare will appear to come in at between 25 – 30 cents per share. Speculation on the shortfall in earning results primarily from lower-than-anticipated occupancy in many client skilled nursing facilities. Joel F. Gemunder, President of Omnicare, explained, "It has become increasingly apparent in recent weeks that the new Prospective Payment System for Medicare residents of skilled nursing facilities (PPS) has created a much more turbulent environment than anticipated. Johnson &Johnson has been the leading supplier of pharmaceuticals to Omnicare for the past 3 years.. J&J sales in pharmaceuticals to Omnicare in 1998 were $80 million.

Acquisitions

Acqu isitions have played a large part in Omnicare's operating strategy over the past 24 months. It has grown in beds serviced at a rate of 50% for the past 2 years. Omnicare looks to acquire pharmacies that are competitive in local markets and that are geographically positioned to increase market share in a given area.

Once Omnicare acquires a site, it strives to increase the efficiency of pharmacy operations by consolidating functions, increasing beds serviced utilizing the company's National Sales and Marketing Force, and increasing each pharmacy's ability to compete in the changing environment by increasing information system capabilities, and product mix offerings.

The acquisition program reached a record level of activity in the third quarter of 1997, highlighted by the addition of American Medserve Corporation, which marked Omnicare's entry into six new states, added major operations to two states which they had only a nominal presence and significantly broadened the network of existing pharmacies in three other states. In addition, they acquired institutional pharmacy providers in Texas and Utah, both of which represent new markets for Omnicare, and expanded the operations in New York and Illinois through acquisitions. These transactions, combined with internal growth generated by National Sales and Marketing Group and the pharmacy staff, brought the number of nursing facitility residents served at September 30, 1997 to 427,400, up 55% over the number served one year ago. That growth coupled with acquisitions completed in June of 1999, brings the total number of residents currently served by Omnicare to approximately 617,300..

Other acquisitions that where made during 1999 have been:	
Life Care Pharmacy	Tennessee
Pharmacy Consultants	South Carolina
Pharmacy Care Associates	Iowa
Bach's Pharmacy Services	New Jersey

Formulary/Clinical Interventional Programs

Omnicare's formulary plays a large part in both increasing the profitability of Omnicare, and offering service to post-acute care facilities. Omnicare subscribes to the theory that pharmaceuticals remain the most cost-effective means of treating most chronic ailments in the elderly. Omnicare has developed the first clinically based drug formulary tailored to the unique needs of the elderly. During 1999 Omnicare released the seventh edition of its "Geriatric Pharmaceutical Care Guidelines." Omnicare utilizes the Philadelphia College of Pharmacy, noted for its expertise in long-term care, to rate over 700 drugs in 100 therapeutic classes as clinically Preferred, Acceptable, or Unacceptable.

Omnicare then considers the Philadelphia College of Pharmacy clinical recommendation, along with the cost of the drug to the payer and acquisition drug cost to Omnicare, to determine the drugs for which it implements therapeutic interchange, substitution, and disease state management programs. Omnicare's goal is to increase the clinical effectiveness, decrease the drug-related side effects, and decrease the cost to the payer, while increasing the profitability of Omnicare pharmacies.

Omnicare has over 800 consultant pharmacists who review patient charts monthly and make recommendations based on the formulary and Omnicare programs for physicians. Pharmacists' recommendations are accepted more than 80% of the time. Consultant pharmacists actively meet with physicians or correspond with them through the mail to obtain approval to make appropriate medication switches for all their applicable nursing home patients. Pharmacists are also responsible for in-servicing the nursing staffs on pharmaceutical and patient care. Omnicare consultant pharmacists receive

monthly "report cards" showing them their success in obtaining goals for therapeutic programs. Thus, Omnicare is able to drive market shares on products that increase clinical effectiveness, decrease costs to the systems in which they operate, and increase profits to Omnicare.

Managed Care

Omnicare's vision is to be the leader in geriatric care, not only long-term care as managed care enters into this market place. Omnicare has positioned itself very well to be competitive by increasing its market share in regional markets, increasing its information system capabilities and outcomes data, to be a source of valuable information in managed care and vertical integration in the post-acute care market, and increasing operating efficiencies.

Omnicare has over 57% market share in every market it is involved in, thus making itself a strong enough player that, as managed care enters into this segment, it hopes to be in contention for the LTC business.

Also, Omnicare has data on over 300,000 geriatric patients, giving it the leverage of being the Pharmacy Benefits Manager (PBM) for the geriatric population, which utilizes over 60% of all prescription drugs. Omnicare and other consultant pharmacists are positioning themselves to be not only a provider of drugs for LTC, but also a provider of information on cost-effective outcomes for the geriatric population. Omnicare's large number of geriatric patients gives the company an advantage over other pharmacy organizations in this area. Omnicare has also invested in computer systems to manage this data, and has acquired Coromed and IBAH, two Contract research organizations (CROs), to help with facilitating outcomes research and managing data.

Coromed, headquartered in Troy, New York, provides comprehensive clinical drug development and research services to the pharmaceutical, biotechnology and medical device industries. Coromed's clinical drug development services includes Phases I - IV clinical trials management, biostatistics, medical writing, medical and regulatory affairs consulting, systems development, and quality assurance and compliance. It also has extensive capabilities in drug research services, which include biological research (safety and efficacy) and chemical synthesis.

IBAH, Inc., headquartered in Blue Bell, Pennsylvania is a worldwide leader in providing comprehensive product development services to client companies in the pharmaceutical, biotechnology, medical device and diagnostics industries. As the fifth largest CRO, IBAH offers services for all stages of drug development , Helping client companies to accelerate products from discovery through development and commerialization more rapidly and cost-effectively. Based on revenues reported for the quarter ended March 31, 1998, IBAH,s annualized revenues are approximately $107 million.

In addition, Omnicare is well positioned to excel in managed care because revenues per bed are 17% less than their competitors, and operating profits are 51% higher.

Omnicare is also branching beyond long-term care pharmacies and acquiring other types of post-acute care facilities to position itself for managed care. The company's vision is to work with acute care discharge case workers and be able to provide a variety of services at a variety of sites in the post-acute market. It is currently the fifth largest home infusion company in the country. Omnicare is expanding is current pharmacies to branch into home healthcare. Omnicare is also looking for other opportunities, such as dialysis units.

Corporate Philosophy

Omnicare's operating philosophy is to: 1) Focus on what it knows best—pharmaceutical care education; 2) Leverage its expertise in the geriatric population; 3) Build alliances with strategic pharmaceutical

companies; and 4) Become known as a large source for outcomes-driven data in geriatrics.

Strengths/Leverages/Vulnerability

Strengths:

- The Strength of our product line in LTC makes J&J Omnicare's leading vendor. Currently, Risperdal®, Propulsid®, Duragesic®, and Ultram® are in its top 20 drugs dispensed. Risperdal® is Omnicare's preferred typical antipsychotic for dementia. Levaquin is "preferred" in the anti-infective

market. All other J&J products are Acceptable with the exception of Propulsid.

- The diversity and breadth of J&J positions us to be a resource to Omnicare beyond the portfolio of products we represent.

- J&J has signed a five year performance based contract with Omnicare which provides rebate incentives to Omnicare to advocate appropriate use of J&J products. (May 1, 1999)

Leverages:

- Omnicare has developed a Patient Specific Therapeutic Interchange (P.S.T.I.) program for Risperdal®. The consultants are evaluated on their monthly report cards as to the success they are having with this P.S.T. I. The Long Term Care Business Managers (LTCBM's) are working with regional Omnicare sites to support this intervention, Through June of 1999, national Risperdal Market Share for Omnicare was at 41%..

- Omnicare has voiced a strong interest in switching all Darvocet® business to another analgesic. Consultants are also measured on their report cards as to the amount of propoxyphene being written in their homes. Ultram® is one choice. Tom Lerman is currently piloting a Ultam program focused on switching propoxyphene patients to Ultram.

- Omnicare has began its first prospective intervention with Levaquin during February of 1999. The overall goal of this program was to achieve a market share of over 50% in the quinolone market. Cipro had been the main anti-biotic of choice generating over 70% of the market (UTI) At the end of June, Levaquin national share for Omnicare was 41%.

- Pain is categorized in the formulary as one disease state—Chronic Pain (non-malignant). Pain has become a big issue in long-term care with the MDS 2.0, state regulations, and national events surrounding pain. During the first six months of 1999, Omnicare embarked on a National Pain Initiative that featured Terry Baumann, a Pharm D from Traverse City, MI., discussing alternative methods of treating pain to 15 Regional Pharmacy Sites. .

- Working with Heartland Healthcare Services to produce stability studies on our products to assist them in their repackaging efforts will give our products a strategic advantage over competitors for which Omnicare does not have stability data. Propulsid® and Risperdal® samples have been sent to Heartland for re-packaging and completed. Discussions are currently underway to see if the new dosage form of Risperdal (.5mg) should be tested.

- A clinical presentation has been given on Aciphex to the University of Sciences in Philadelphia. An advisory board was also held at Mid-Year ASCP to determine PPI market dynamics and specifics. Contractual plans are currently under way Prevacid currently holds 78% of the PPI market.
- Increasing home infusion business will increase opportunity for Procrit® and the awareness of fatigue in nursing home settings.

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Vulnerability:
This account represents $80 million worth of sales. All of our products have competition that could replace at least a portion of this business. Risperdal® is currently 42% of our sales with Omnicare. Zyprexa® has been very aggressive with Omnicare and could have supporting data for use in Dementia next year. Eli Lilly has also been very active in the long-term care market for the past 5 years and is pursing a preferred formulary status in the next formulary edition at PCPS.

1999 KEY ACTION STEPS

Initiative	Estimated Start/Completion	Responsibility
Pull Through Risperdal® P.S.T.I.	Ongoing	LTCBM's/Eldercare
Launch Ultram®/ Propoxyphene Intervention	4th Quarter/99	LTCBM's
Complete Nation al Pain Initiative	6/99	LTCBM's
Levaquin® Prospective Intervention Program	12/99	LTCBM's/OMP
Aciphex Prospective Intervention Program	4th Quarter/99	LTCBM's/Eldercare
Regranex Wound Care Protocols	4th Quarter/99	LTCBM's/OMP Wound Care

II. Charter Statement (Who, What & Why)

Johnson & Johnson supplies high-quality products and jointly created clinical and business programs that aid Omnicare in meeting corporate goals and objectives.

III. Customer's Business Situation Appraisal

Customer Business Situation

Omnicare, Inc. is the leading independent provider of professional pharmacy and related consulting services for long-term care facilities, such as nursing homes, retirement centers, and other institutional healthcare facilities. Omnicare, Inc. was established in the institutional pharmacy business in December 1988 as a merger of four pharmacies in the Midwest. Acquisition has played an important role in Omnicare's success, as the company now owns 180 locations in 43 states, concentrated in the Midwest, Northeast, and Pacific Northwest regions of the United States. Omnicare today serves 617,300 residents in 8,600 long-term care facilities across the United States. This represents 30% of the total LTC beds at year end 1998. In 1995 Omnicare serviced 14% of the nation's long-term care residents, up from 9% in 1994.

A. **Organizational Structure**

The President of Omnicare, Inc. is Joel Gemunder. Reporting to Joel are:

B.

Patrick Keefe, Executive Vice President of Operations. Pat has overall responsibility for the operations of Omnicare and all regional facilities. Reporting to Pat are eight regional vice presidents and all other corporate vice presidents. One of the vice presidents reporting to Pat is Dennis Holmes, Vice President - Operations Group. He oversees all Heartland operations to include the repackaging facility.

Cheryl Hodges, Senior Vice President of Investor Relations. Cheryl's responsibilities include all dealings with financial institutions to include Wall Street, all corporate relations, and shareholder relations.

Tim Bien RPh, Senior Vice President of Purchasing and Professional Services. Tim oversees all purchasing and contractual agreements. Dan Maloney, Director of Purchasing, reports directly to Tim. Mark Lehman, PharmD, and Gary Erwin, PharmD report to Tim and handle all clinical matters as Directors of Clinical Services.

Dan Maloney, Director of Purchasing, has responsibility for organizing the contractual and purchasing agreements that Omnicare has with various manufacturers and all purchasing functions. Each of the Omnicare regions is in the process of hiring a regional purchasing manager, who will report to Dan.

Mark Lehman, Director of Clinical Services, has responsibilities for the coordination of the formulary, disease state management programs, and other clinical intervention programs. Mark heads three committees within Omnicare: the PSC Formulary Champions, the Professional Services Committee, and the National P&T Committee. The PSC Formulary Champions, which is a group of one consultant from each location, are charged with assisting the consultants at their regional location in achieving compliance of the formulary and intervention programs in the homes they service. The PSC Formulary Champions receive "report cards" on each pharmacist to gauge their success. The Professional Services Committee, comprised of 15 pharmacists, is responsible for the creation and implementation policy and procedures from a clinical and operational perspective. Mark also heads the National P&T Committee, made up of three physicians, three directors of nursing, three pharmacists, and a representative from the Philadelphia College of Pharmacy. Lisa Welford is Mark's assistant and implaments many of the activities associated with a product intervention.

W. Gary Erwin Vice President Health Systems Programs Gary comes to Omnicare, effective September 1, from the Philadelphia College of Pharmacy where he was Vice President of Professional

Programs. Gary's responsibilities will be to work with managed care organization, employer groups and insurers to position Omnicare as the provider for their geriatric care. In addition, Gary will be involved with the Coromed acquisition.

David Froesel, Senior Vice President and Chief Financial Officer. David is in charge of all operating financial data.

Omnicare organizes the company's pharmacies into eight regions. Each region is led by a regional vice president reporting to Pat Keefe; Pat is responsible for overseeing the operational functions in the region, and growing the sales and profitability of the region. The regional vice presidents also report to Pat Keefe, Executive Vice President of Operations.

The current regional vice presidents are as follows:

- Dan Smith — Northeast Vice President. He has responsibility for Share Pharmacy north to Maine.
- Eric Balotin, RPh — Vice President, Dir. Of Operations, Mid-Atlantic Region.
- Jeff Stamps, RPh — Jeff operates out of Beeber Pharmacy in Columbus, Ohio. He has responsibility for Ohio, West Virginia, Indiana, and western New York.
- Gary Kadlec, RPh — Gary operates out of Specialized Pharmacy in Detroit and has responsibility for Specialized Pharmacy, Westhaven, Anderson, and Lo-Med.
- Sam Enloe, RPh — Sam operates out of Enloe Pharmacy and has responsibility for Illinois (with the exception of Chicago) and Wisconsin.
- Rick Doane, RPh — Rick operates out of Evergreen Pharmacy and has responsibility for the Northwest.
- Each region also is in the process of hiring a regional clinical director and a regional purchasing coordinator. The regional clinical directors will be responsible for overseeing the success of disease state management programs and therapeutic interventional programs in their areas. Currently, there are eight in place: Lisa Welford, Alan Mason, Terry O'Shea, Sheila Phibbs, Karen Burton, Joe Gruber, Nora Flint and Jeanette Hagerty.

Lisa Welford	Alan Mason	Terry O'Shea	Sheila Phipps	Karen Burton
Specialized Pharmacy	Sequoia Health Services	Beeber Pharmacy	Evergreen Pharmaceuticals, Inc.	Apex Pharmacy
Westhaven Pharm. Services	Interlock Pharmacy Services	PRN Pharmacy Services	Northwest Pharmaceutical Services	Benwood LTC
Heartland Healthcare	Freeds Pharmacy	Home Pharmacy	Budget Pharmacy, Inc.	Datascript Corp.
Anderson Medical Services	Home Pharmacy Services	Pharmacare		Downeast Pharmacy

Lo-Med Rx Services	Medical Arts Health Care	DNR Pharmacare		LTC — Gettysburg
Total Care Pharmacy Services	Carters Pharmacy	Long Term Care		LTC — Upstate New York
	Managed Health Care	Instacare, Inc.		Prometheus Pharmacy Corp.
	Clasen Pharmacy	Care Pharmaceutical Services		Pompton Nursing Home Suppliers
	United	Howards Pharmacy		
	Lipira			
	Unicare			

B. P&L Performance

During 1998:

Net income rose 63% to $80.4 million.
Earnings per share grew to 90 cents.
Sales grew 68% to $1.5 billion.
The number of nursing homes serviced grew 570,000.
Omnicare completed 17 acquisitions. This entered them into two new states (Wisconsin and New Jersey) and strengthened their position in the Northeast, Northwest, and Midwest.

C. Market Forces

Omnicare has invested its resources in positioning itself for the future of the post-acute market. The company's investment in acquisitions, formulary management, managed care, information systems, and disease and outcomes management is a portion of why Omnicare feels it will be successful in the future. The above areas are discussed in detail below.

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On January 8, 1998, Omnicare announced a joint initiative to develop a senior health alliance to promote wellness and positive outcomes among the frail elderly in LifeTrust's assisted living facilities.

The new program will serve as a health and wellness model targeting the elderly population, with special emphasis on residents over the age of 75. Among the services to be promoted through the senior health alliance are health status evaluations, wellness profiles, on-site pharmacy consulting, prescription services, pharmacy benefits management and outcomes management.

1. Acquisitions

Acquisitions have been the thrust of Omnicare's efforts for the past 18 to 24 months. Omnicare looks to acquire pharmacies that have been successful in their current markets and that will help the company achieve at least a 35% market share in a given geography. Omnicare is looking to have a hold on its locations to be competitive when managed care enters this market segment. Currently, Omnicare has surpassed this goal and has a 57% share in the areas it services. By the year 2000, the company is targeting to service 700,000 skilled nursing and assisted living facilities.

Omnicare is in an extremely competitive market, competing with NCS and PharMerica. for pharmacy

acquisitions. These acquisitions are capital intensive, as market price for a 1,000-bed pharmacy is approximately $1 to $2 million. Omnicare's philosophy is to pursue acquisitions that allow the company to gain strength in new geographic markets.

When Omnicare acquires pharmacies, the previous owner and/or upper level manager agrees to stay for at least 3 years to keep continuity with the staff and customers. The company is proud of its track record in past-owner retention, as over 95% of past owners stay past the 3-year commitment despite having sold the pharmacy for millions of dollars.

Once acquired, Omnicare moves to increase operating efficiencies by consolidating functions related to purchasing, formulary compliance and therapeutic intervention programs, medical records, dispensing, marketing, and professional services. The company believes the other functions of the pharmacy should be maintained as they were as an independent pharmacy because these are the things that made the pharmacy successful in its particular market. Therefore, the practices of each Omnicare pharmacy, in many ways, are very different. For example, Westhaven Pharmacy Services, a pharmacy servicing 20,000 beds out of Toledo, Ohio, has a philosophy whereby it sends three people into every nursing home: a consultant pharmacist, a quality control representative, and a customer relations representative. The feeling is that this frees up more of the consultants' time. No other Omnicare pharmacy operates in this manner.

Omnicare's growth strategy has allowed the company to generate economies of scale and streamline operations in order to fund development and expansion of innovative services—designed to improve care for the elderly on a cost-effective basis.

A large contributor to the pharmacy efficiency is Omnicare's arrangement with Heartland Healthcare Services. In late 1994, Omnicare entered into a 50-50 agreement with Heartland Healthcare Services. This venture is to use Heartland's high-volume repackaging facilities in Toledo, Ohio, and Ft. Lauderdale, Florida, to provide greater efficiencies and substantially reduce costs in repackaging pharmaceuticals for nursing homes. Cost of repackaging at the regional facilities is approximately 80 cents per package. Cost associated in repackaging at Heartland is approximately 20 cents per package. The company is currently repackaging generic drugs and the top 20 branded drugs used in the system.

Omnicare's goal is to repackage 80% of all pharmaceuticals at these facilities in 1999. This would further reduce costs associated with repackaging. The company's goal is to be able to make larger runs

and send more packages to regional facilities at one time. In order to accomplish this, the company will need to increase dating on repackaging by completing stability studies on the new packaging. Omnicare has turned to the manufacturers for help in this area. Currently, Risperdal®, Propulsid®, and Ultram® are being repackaged at Heartland

After successful acquisitions and standardization of the above functions, Omnicare set out to grow the number of beds served at the regional sites and increase efficiency of pharmacy operations. Omnicare utilizes its National Sales and Marketing force, established in 1994, to increase the number of beds each facility services, promoting the strength of the Omnicare system and the benefits this will provide to the nursing home. The sales and marketing functions are run by Mary Lou Fox, Vice President of Sales and Marketing and past president of Westhaven Pharmacy, a 20,000-bed Omnicare facility.

Higher acuity levels among nursing home residents contribute to sales and earnings momentum, as these patients require more complex care. In turn, this trend has generated greater demand for

Omnicare's expanding infusion therapy. Infusion therapy was one of Omnicare's fastest growing market segments in 1996, generating $54 million in revenue. In 1996, despite the company's focus on servicing nursing homes, Omnicare was the fifth largest infusion company in the country. In February 1997, Omnicare acquired two infusion companies and plans to expand this segment of the company. Omnicare is in the process of adding Region IV Managers to their regional structures. The current issue with infusion therapy is competing with hospital services due to lower hospital prices.

Omnicare is also expanding its existing pharmacies to be more competitive in the home health market. According to Omnicare sources, it is currently the eighth largest company in home health. All pharmacies are in the process of incorporating a home health element into their business, to keep Omnicare the dominant player in the long-term care market. Omnicare has also moved into the growing assisted living market. Currently, 10% of Omnicare's sales are going into this market. The company is offering a quarterly review of assisted living resident medications and working with hospitals in rural areas to boost this business segment. Omnicare is also moving toward working with care-planners to follow patients through the various levels of acuity and being the provider of their drugs, infusion, or consulting needs at any level of acuity in the post-acute care market.

Omnicare is also looking to acquire other types of facilities outside of LTC pharmacies. The company feels there will be only so many viable LTC pharmacies to acquire. The company is looking at other businesses to expand the breadth of its services in healthcare. Dialysis centers is an area they are looking into. Northshore Pharmacy Services is currently the only Omnicare pharmacy involved in dialysis.

2. Formulary Management and Clinical Interventions

Omnicare subscribes to the theory that pharmaceutical therapy remains the most cost-effective means of treating the chronic ailments that affect the elderly. Yet simply reducing the cost of pharmaceuticals is not the answer to improving the nation's healthcare system. Omnicare believes that weighing the clinical effectiveness of drug therapy, not just its cost, will ultimately lower healthcare costs and provide better medicine for the elderly. Thus, Omnicare developed the nation's first clinically based drug formulary tailored to the unique needs of the geriatric patient. It enhances the ability of physicians and other healthcare professionals practicing in long-term care facilities to provide superior care to the elderly while reducing costs.

In 1993, Omnicare began to work with a highly respected and independent academic institution, the University of Sciences in Philadelphia (USP), noted for its expertise in long-term care. Disease states and therapeutic drug classes that have the greatest impact on geriatric medicine and long-term care, as well as cost impact on the healthcare system, are selected. The mission of this program has been to

create a disease-specific, clinically sound reference for drug selection, taking into account the unique needs of the elderly in nursing facilities. "Geriatric Pharmaceutical Care Guidelines" is updated annually and contains clinical reviews of more than 100 therapeutic drug classes and over 600 individual drugs.

All drugs are organized by disease state and therapeutic class used to treat that disease. The clinical evaluations and ratings of each drug are performed by USP. Within its therapeutic class, each medication is classified as "Preferred," "Acceptable," or "Unacceptable" based on the drug's effectiveness. Effectiveness is determined based on age-specific variables, interactions with other drugs and food, safety, toxicity, drug administration, other nursing facility considerations, and resulting quality of life.

The criteria used for these clinical rankings are:

PREFERRED: Drugs that have documented, distinguishing positive effects or outcomes compared with other drugs in the therapeutic class, lower potential prevalence of adverse drug reactions, or some unique characteristic that provides a clear clinical advantage in the nursing facility resident population.
ACCEPTABLE: Drugs that have comparable efficacy and safety with minimal distinguishing characteristics (e.g., therapeutic outcome, functional improvement) in the nursing facility resident population.
UNACCEPTABLE: Drugs with greater prevalence or severity of adverse reactions or lack of documented therapeutic efficacy versus other drugs when used in the nursing facility population.
The Preferred, Acceptable, or Unacceptable rating is the view of PCPS clinically in geriatrics per disease state and does not necessarily indicate the drug preferred by Omnicare.

Following the clinical review by USP, every Preferred or Acceptable drug is assigned a dollar symbol, ranging from one to seven dollar signs, representing the drug's relative cost within its therapeutic class by Omnicare's PCPS Formulary Champions. The dollar signs are reflective not of contract price to Omnicare, but the end cost to the payer based on a 30-day prescription.

Of clinical relevance to Johnson & Johnson are the following drug categories: Behavioral Disturbances Associated with Dementia, Chronic Pain (non-malignant), GERD, Respiratory Tract Infections, and Urinary Tract Infections.

Risperdal® is rated as the Preferred drug in the category Behavioral Disturbances Associated with Dementia. Risperdal® is currently the number two drug in dollars prescribed in the Omnicare system, representing in excess of $34 million. Risperdal® has been assigned six dollar symbols, more than any other antipsychotic. Clozaril® is rated Unacceptable, and Zyprexa® was added to the 1997-1998 formulary as Acceptable. Risperdal® share in the first quarter of 1999 was 41%.

The category Chronic Pain (non-malignant) was added in the 1997 formulary update. Omnicare is looking at further review of pain, separating different types of pain in the future, and further defining the class as three classes: Acute Pain, Chronic Malignant Pain, and Chronic Non-Malignant Pain. Both Ultram® and Duragesic® are rated Acceptable in this category. They each have six dollar symbols. This class rates acetaminophen and salicylates (non-acetylated) Preferable. All of the NSAIDS and opioids are also rated in this class.

Long Term Care

CoordinatingRESOURCES
FOR LONG-TERM CARE

Omnicare rated Darvocet® as Unacceptable and has expressed an interest in moving pharmacists from allowing this to be dispensed in the nursing homes. Consultants can lose up to 30% of their total points on monthly "report cards" based on excessive propoxyphene use. Omnicare nationally dispenses 12 million units of Darvocet® per year. Alan Mason, PharmD, Regional Director of Clinical Services in the Gateway Region has created an intervention program to decrease Propoxyphene use. This program incorporates Ultram® as an alternative, and has national possibilities. Omnicare is also in the process of completing a Cytotec® study on GI bleeds, which may be beneficial to Ultram®.

The Proton Pump Inhibitors (PPIs) Prevacid® and Prilosec® are rated as Preferred agents in the GERD category. Previcid® has three dollar signs and Prilosec® has four dollar signs. Propulsid® and Reglan® are both rated as Unacceptable.

Omnicare currently has an active intervention in place for anti-infectives. Levaquin is their preferred

quinolone. Their current market share with Levaquin is 42.2%. An intervention was established in March, 1999 to drive Levaquin Market share. The initiative was rolled out via a teleconference with all pharmacists, dispensing pharmacists, RCDs and consultant pharmacists. These programs took place during the month of March. June market share data reflects a 42.2% market share. Omnicare's goal for 1999 for Levaquin is 50%.

Omnicare's current sales with Rocephin® are $6 million. Currently, Omnicare is unhappy with Rocephin®, and has eliminated all contracting in LTC after price protecting Rocephin® for the past 3 years on the GPO contracts. Omnicare has sent mixed messages concerning this class. The company indicated it is looking to do something to switch this business but also mentioned Rocephin® is an extremely profitable drug because Medicare Part A can be billed for the injection. The company has an interest in doing a retrospective study on antibiotic appropriateness and/or putting together a prospective interventional program with antibiotic therapies.

The clinical discussions following the ratings are a review of the published literature in geriatrics. Due to the limited data currently available on J&J's pharmaceuticals in geriatrics, there are limited discussions on any of our brands except for the side effects listed in the respective package inserts.

The 1997 update includes a practice guideline for depression, a condition that affects 25% of all nursing home residents, and a pathway for pharmacologic management of patients with heart failure based on severity of Dypsnea on Execration. Disease state management programs in progress are congestive heart failure being targeted nationwide, atrial fibrillation at Specialized Pharmacy and Beeber Pharmacy, depression at Westhaven Pharmacy and in Alabama, osteoporosis in St. Louis, and flu nationwide. Omnicare is currently planning for programs to implement in late 1998.

Omnicare currently has nearly 1000 clinical pharmacists that meet regularly with physicians and medical directors to review each resident's progress and drug regimen. By choosing a product with fewer dollar signs in the Preferred or Acceptable class, a physician can provide cost-effective therapy with the best possible clinical outcome. Omnicare has 18 active Patient Specific Therapeutic Interchange Programs in effect. The success of these interchanges determines the rating the consultants get on their report cards. Mark Lehman and Gary Irwin develop a "tool box" complete with pharmacologic drug information and interchange specifics to include charting tools and letters to physicians. The consultant pharmacists are active in having physicians sign therapeutic interchange forms that allow pharmacists to review charts and make switches without having to consult with the

physician. Consultants receive report cards from Omnicare showing their success with Omnicare Select Products and share data on drugs in active therapeutic programs or part of disease state management programs. The PSC Formulary Champions work with the consultants to achieve Omnicare goals on specific drugs. Omnicare states that this effort has helped the company lower the cost of pharmaceutical care to the elderly by approximately 16%. New therapeutic classes will be selected on an annual basis.

When analyzing market share and formulary status, clinically and economically, there does not seem to be a direct correlation between the clinical rating (Preferred or Acceptable), dollar rating ($-$$$$$$), and market share.

Omnicare is able to drive share on multisource products by utilizing the Toledo Heartland facility as a wholesaler and only stocking the one preferred generic.

3. Managed Care/ Information Systems/ Disease State Management/Prospective Payment

The long-term care pharmacy is facing a changing environment as Medicaid and Medicare managed care becomes more of a reality. Omnicare needs to position itself as a provider of information concerning quality and cost-effective outcomes in the post-acute care market. Also, Omnicare's consultants need to become more of a resource both educationally and operationally in the nursing homes. Omnicare is positioned to meet the challenges of managed care. The company's clinically based formulary takes on a greater strategic significance and forms the basis for its role as a pharmaceutical benefit manager for the geriatric population. It also serves as the nucleus of Omnicare's entry into disease and outcomes management.

Toward this goal, Omnicare is integrating information systems to be a more comprehensive provider of geriatric therapies. The company acquired Dynatran Computer Systems, a Portland, Oregon, based software developer, in late 1995. This system provides assessment systems to nursing homes, and incorporates data on patient diagnosis, treatment plans, and health outcomes for each resident. Omnicare's OSCAR2 system is a consultant system that links all 1000 clinical pharmacists with a database of clinical information. The newest addition to the information system is the Oasis. This system will be placed in all regional pharmacies to computerize medical records, dispensing, and billing.

Omnicare currently has the Oasis system running in three pharmacies. PRN in Indianapolis was the first. When Oasis is active in all pharmacies, the company plans to link all three systems together to have a comprehensive system to generate valuable outcomes data to payers and pharmaceutical manufacturers.

In January 1997, Omnicare acquired the international contract research organization Coromed. Coromed provides comprehensive clinical drug development and research services to the pharmaceutical, biotechnical, and medical device industries. Omnicare feels this acquisition will provide a unique opportunity to utilize Coromed expertise in information and data management and will facilitate Omnicare's initiatives in disease state and outcomes by enabling the consolidation and analysis of healthcare data on more than 300,000 elderly residents served by Omnicare.

Omnicare's strategy has produced strong growth and positioned this company to meet the challenges ahead as the long-term care industry moves toward managed care and other models of cost control. To remain competitive as it grows in size and in involvement in managed care, Omnicare has expressed

interests in resources to help train internal employees on marketing skills, total quality management and continuous quality improvement processes, tools to measure performance and report results, risk assessment tools to address capitation/Medicaid risk contracts, and assistance in achieving JCAHO accreditation for all of the company's pharmacy sites.

E. Omnicare Corporate Priorities

Omnicare has indicated that its strategic priorities for 1999 are as follows:

1. Work efficently within the Prospective Payment System
   - —JCAHO accreditation for all pharmacies
   - —Lower cost of pharmacy operations through increased efficiencies
   - —Increase focus on outcomes research and data management to be prepared to provide cost-effective pharmaceutical solutions

IV.Customer's View of Industry & Competition

A. General Practice

Omnicare's strategic priorities are much like those of a pharmaceutical manufacturer—to prove the value of pharmaceutical intervention in a healthcare environment focused on controlling cost. One of Omnicare's strategic priorities is to increase pharmaceutical expenditures from 8% to 12% in the facilities serviced, by demonstrating the ability to use pharmaceutical interventions versus more costly healthcare to improve patient outcomes. Omnicare has invested many resources in increasing its ability to successfully manage the available geriatric data to prove cost-effective outcomes. Another strategic objective is to partner with manufacturers at top levels of both corporations. Both are indicative of a positive view of the pharmaceutical industry overall.

Omnicare subscribes to a three-fold purchasing decision. First, the agent must be at least clinically Acceptable and no less efficacious than the current Omnicare Select Drug. Second, the agent must not be an increased cost to the payer of the bill, whether Medicaid, Medicare, or third party. Third, the drug must offer good margins to Omnicare. Omnicare looks for a good mix of all three in determining an Omnicare Select Drug and designing an interventional program to move share of a designated product.

B. Key Players

Dan Maloney, RPh, Director of Purchasing, has the buying authority for Omnicare. Omnicare is in the process of hiring regional purchasing managers who will buy under Dan's authority. Dan's purchasing decisions need to balance with the clinical priorities of Gary Irwin, PharmD, and Mark Lehman, PharmD, Directors of Clinical Services. For example, if Dan signs a contract agreeing to Risperdal® achieving shares in excess of 80%, it will be Mark's responsibility to put into place the clinical interventions to make sure the contract is executed successfully. Dan, Gary, and Mark report to Tim Bien, RPh, Senior Vice President of Purchasing and Professional Services. Tim is the individual that would balance the priorities and differences between Clinical and Purchasing needs.

The five regional directors of clinical services play a critical role in implementation of clinical initiatives. The 1000 Omnicare consultants take direction from the five regional directors in prioritizing initiatives. Another key player is Robert Baran, PharmD, Vice President for Professional Programs at the Univaersity of the Sciences in Philadelphia, who is the individual responsible for the clinical evaluations that go into Omnicare's purchasing decisions. Omnicare also has a P&T Committee comprised of physicians, directors of nursing, and pharmacists.

C. Customer's Attitude

Omnicare purchases more pharmaceuticals from J&J than any other manufacturer. We have been Omnicare's number one vendor for the past 36 months due to the escalating sales of Risperdal® escalating sales. The company feels, due to the quantity purchased from J&J, we have not serviced them in the past both contractually and with services and programs they deserve.

Omnicare and J&J signed a 5- year performance-based agreement effective May 1, 1999. The strategic products are Risperdal®, Duragesic®, Propulsid®, Ultram®, Levaquin®, Floxin®, and Procrit®. Omnicare is pleased with the agreement and current working relationship.

Omnicare is encouraged by J&J's commitment to invest in a group of specified long-term care business managers. Omnicare has been pleased with the progress we have made over the past 9 months in learning about each other's organizations and moving toward a direct contracting agreement. We are

viewed as a strategic partner.

Omnicare currently has good relationships with Bristol-Myers Squibb; as cited in the 1995 Annual Report, they partnered to develop the first geriatric disease management program on congestive heart failure. In addition, a current Director of Clinical Services, Mark Lehman, worked for several years at Bristol-Myers Squibb in Medical Marketing.

Customer's View of our Competition

How Customer Sees (Scale from 1:Worst to 10:Best)	***Competition***	***J&J Pharmaceutical Companies***
Level of business relationship	10	10
Understanding of customer's business situation	7	9
Product fit to customer's needs	7	10
Positioning in customer's organization	7	8
Product/Service reputation	8	8
Prices	7	9
Helpfulness to customer	8	10
TOTAL	54	64

Identify the Three Most Important Facts About Account's Appraisal of the Situation

1. J&J is the largest supplier of pharmaceuticals to Omnicare. Not only does the company purchase more from us than any other vendor, we also have high market share in Risperdal®—42%, Levaquin-41% and Duragesic®—60%. Omnicare has mentioned repeatedly it is expensive to execute an interventional program to dethrone a market leader.

2. Omnicare has initiated a P.S.T. I. on Risperdal®. The company feels there is a strong clinical and financial win in supporting this product. Currently, approximately 600,000 beds have been inserviced on this initiative or roughly 90% of their total bed count. Additional pull through support for this intervention include teleconference with a geriatric psychiatrist. This program would allow the pharmacists within Omnicare to ask questions and gather feedback and support from an expert. Additionally, some regions will be implementing a program to increase the competency and confidence of the pharmacists when dealing with resistant prescribers.

In June of 1999, Omnicare was willing to provide a prescriber list to the J & J Group and the Janssen ElderCare Sales Force. These names were provided to the sales force in an effort to increase the call frequency on these resistant prescribers and to eventually influence them to use more Rispderdal in the Elderly demented patient. As of July, 1999, over 350 names have been acquired and the representatives have begun their targeting on these prescribers.

Omnicare is also actively pursuing the possibility of a propoxyphene/ Ultram® intervention. Their intentions in 1998 were to take this program on a national basis. The Pain Management Initiative Program was launched in the third quarter of 1998 and completed in June of 1999. The propoxyphene intiative was included in this training program.

3. Omnicare is encouraged by the formation of the Long Term Care Business Group. The company has

been impressed with our group and the progress we have made in understanding their business. Omnicare understands that the LTC Business Group has spent in excess of $1,000,000 since 1997 for educational, pull-through, and social activities. They have mentioned on several occasions how pleased they have been with the way our group has taken to this partnership.

V. Situation Appraisal (Our View)

Team Evaluation of the Account (Scale from 1:Worst to 10:Best)	*Score*
Its sales trend (2-3 years out)(In their own market)	10
Its growth vs. our strengths	9
How coachable its people are	6
How much we enjoy working with the account	8
Showcase/referral source for us	10
Recent trends of orders	5
How much it helps us (Give and take or all take, no give)	5
TOTAL	**53**

Compare this team evaluation to that of the customer's view of us and our competition.

Omnicare is an important customer to the J&J Pharma Group due not only to the company's strength in size in the long term care market, but also due to the company's ability to drive market share. Omnicare also has the resources with its information systems and newly purchased CRO's, Coromed and IBAH, to assist us with needed geriatric outcomes data.

J&J is new to this segment of the market with a structured approach to working within this segment. Our relationship with Omnicare has improved during 1999. Omnicare is pleased with the approach we have taken with 14 business managers and offering to create clinical and business programs jointly to fit both parties' strategic goals. We have come a long way in catching long-standing relationships that Omnicare has with Merck, Lilly, and BMS.

VI. Situation Appraisal Summary

A. Strengths

Omnicare purchases more pharmaceuticals from J&J, in dollars, than any other manufacturer. Omnicare feels it is easier to go with the market leader than to put into place large interventional programs to switch from a market leader. Currently, Risperdal®, Propulsid®, Ultram®, and Duragesic® are among Omnicare's top 20 drugs dispensed. Omnicare has implemented a P.S.T.I. with Risperdal® effective July 1, 1997. Currently, plans are under way to incorporate a D/C on propoxphenes that would have an increased market potential for Ultram®.

The diversity and breadth of J&J positions us to be a resource to Omnicare beyond the portfolio of products we represent. We have the resources to contribute to Omnicare's organizational and business issues; for example, our expertise in marketing, sales training, risk assessment reimbursement, and performance measurement.

J&J Pharma Group has signed a three year performanced based contract with Omnicare. The contract offers significant rebate opportunities for driving share of Risperdal®, Duragesic®, Propulsid®, Ultram®, Levaquin®, Floxin® and Procrit®.

B. Opportunities

The Risperdal® P.S.T.I program will continue with new acquisitions inserviced throughout 1998 and 1999. The Long Term Care Business Group and Janssen ElderCare have been assisting Omnicare at individual regional sites by inservicing 90% of their total beds. The issue now becomes the ability to track the effectiveness of the intervention program. Omnicare has been very limiting regarding specific utilization data. Since the revision of the contract in 1999, Omnicare has committed to providing this important information by site on a monthly basis. The delivery of this data has been very fragmented and inconsistent. We are currently working on improving Omnicare's compliance with this request. We also have an opportunity to perform a retrospective study looking at the efficacy, tolerability, and cost of Risperdal® in the geriatric patient population.

In June of 1999, Omnicare agreed to supply the LTC Group and Janssen ElderCare with the names of their most resistant prescribers. The Janssen ElderCare representatives have agreed to target these prescribers on a monthly basis. An opportunity now exists for both Omnicare and Janssen ElderCare; the ElderCare sales force can better target and direct their efforts to the prescribers that are adversely affecting Risperdal market share, and Omnicare has a "dedicated sales force" committed to driving the Risperdal market share.

During the third quarter of 1999, we will also roll out an "Ask the Experts" teleconference. This teleconference will give the pharmacists within Omnicare the opportunity to review various patient cases and scenarios, and discuss resistant prescribers with an expert.

Pain is categorized in the formulary as one disease state—Chronic Pain (non-malignant). Pain has become a big issue in long term care with the MDS 2.0, state regulations, and national events surrounding pain. We can leverage our deep product line in pain to help Omnicare better categorize types of pain, appropriate therapies for different types of pain in the long-term care setting, and ways to manage side effects of pain medications. We can also help Omnicare develop pain assessment tools, which regional pharmacies are looking for due to many that regulations individual states are putting on pain assessment in nursing homes. Omnicare implemented a national pain initiative during the second quarter of 1998.

Omnicare currently has a 40% market share in propoxyphenes. This drug has been the subject at many

LTC conferences as being a bad choice for pain in geriatrics. Omnicare is interested in doing an interventional program switching the propoxyphenes with Ultram®. Currently Alan Mason's region is in the process of developing with the LTCBG a propoxyphene program that includes Ultram® as an alternative to propoxyphene therapy. The program has been in-serviced at all regional sites within Alan Mason Region. It will now be rolled out on a national basis.

Working with Heartland Healthcare Services to produce stability studies on our products to assist in repackaging efforts.

An anti-infective/ Levaquin® initiative was introduced in March of 1999. A clinical presentation has been given to Robert Baran at Philadelphia College of Pharmacy and Science. Additional study data surrounding Levaquin's use in geriatric patients was also forwarded to Bob. In 1999 Levaquin was given a "Preferred Status" rating in its geriatric formulary edition. Currently Levaquin has reached a 42.2% market share through June of 1999. In September of 1999, Omnicare intends to send an "Anti-Infective" mailing to their prescribers on a "respiratory/flu season update". This mailing will update the prescribers on the benefits of using Levaquin in the elderly patient. They hope that this newletter and mailing will help Omnicare reach their goal of a 50% market share with Levaquin.

Helping Omnicare decrease expenditures in GERD by instituting an appropriate use program to help determine appropriate therapy for patients. Also, offer Healthy Directions program to assist in lifestyle changes to aid in decreasing progression of the disease and frequency of symptoms.

Procrit potential in place of patients being transported to hospitals for blood transfusions. Omnicare loses all revenues on this patient once they have been transported to a hospital.

C. Trends

Consolidation and acquisitions of pharmacy providers in the long-term care market.
The reality of capitation in the form of Prospective Payment Systems has become Federal Law on July 1, 1998.
Expansion of services into the Assisted Care Living and Home Health Care arenas.
Movement of payers from private insurance, fee for service, and government to managed care; this trend results in the need for pharmacies to become a source of information, as well as a source of pharmaceuticals, leading to:
—Increased need for information systems
—Increased need for ability to gather outcomes data
As pharmacies become large corporations made up of smaller regional pharmacies, their needs to acquire skills in marketing, management, training, etc. are increasing.
The requirements on consultant pharmacists continue to increase which decreases their time to implement new interventions.

D. Key Players

Sponsors
Tim Bien RPh, Senior Vice President of Purchasing and Professional Services
Antisponsors
None Identified
Strategic Coaches
Dan Maloney, Director of Purchasing. Prior to working with Omnicare Corporate, Dan was with Interlock Pharmacy, now an Omnicare-owned pharmacy, in operations.
Mark Lehman, PharmD, Director of Clinical Services. Prior to working for Omnicare, Mark was in the pharmaceutical industry. He worked for BMS in Medical Marketing. Prior to that he was a representative for Lilly.
Robert W. Baran, Director of Clinical Outcomes, Philadelphia College of Pharmacy and Science.

Dusychant Patel, Director of Infusion Services, Lawrence Weber Medical.
Five Regional Directors of Clinical Services.
Eight Regional Vice Presidents.

E. Vulnerability

This account represents $100 million worth of sales potential. All of our products do have competition that could replace at least a portion of this business. Risperdal® is currently 30% of our sales with Omnicare. Zyprexa® has been very aggressive with Omnicare. Omnicare has indicated that in newly acquired pharmacies, Zyprexa® has increased quickly. Eli Lilly has also been very active in the long-term care market for the past 5 years.

VII. LAMP Matrix

Contracts: Dollar Potential: Risperdal®	1. Risperdal® share 2. Heartland Repackaging Initiative. 3. Coromed - Outcome Based Research. 4. Pain Initiative 5. Anti - Infective Initiative.	1. Continued acquisition of pharmacies (Growth) 2. Movement of payers to managed Medicaid or Medicare Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Mark Lehman, PharmD, Director of Clinical Services. 4. Robert W. Baran, Director, Clinical Outcomes - PCPS	1. Assist Omnicare with Heartland repackaging project for all strategic brands 2. Become Omnicare's resource for pain, behavior management, and anti-infective therapy
Strength: Breadth of J&J Resources Product Line:	1. Risperdal® share. 2. Heartland Repackaging Initiative. 3. Coromed - Outcome Based Research. 4. Pain Initiative. 5. Anti - Infective Initiative.	1. Continued acquistion of pharmacies (Growth) 2. Movement of payers to managed Medicaid or Medicare Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Mark Lehman, PharmD, Director of Clinical Services 4. Robert W. Baran, Director, Clinical Outcomes - PCPS	1. Partner to assist with reimbursement issues utilizing JPI reimbursement managers and JJHCS government affairs directors 2. Implement outcomes projects in APS and anti-infectives 3. Assist with JACHO accreditation
Strength: Partnership in Outcomes Management	1. Risperdal® share 2. Heartland Repackaging Initiative 3. Coromed - Outcome Based Research. 4 Pain Initiative. 5. Anti - Infective Initiative.	1. Consolidat- ion of pharmacies 2. Movement of payers to managed Medicaid or Medicare. Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Gary Erwin, Vice President Health Systems 2. Robert W. Baran Director, Clinical Outcomes - PCPS 3. Dale Evans, CEO Coromed	1. Outcomes project in APS 2. Outcomes project in anti-infectives 3. Pain management program. 4 Regranex® outcome research for pressure ulcers

Vulnerability: Loss of Sales; Zyprexa® Threat to Risperdal®	1. Risperdal® share. 2. Heartland Repackaging Initiative. 3. Coromed - Outcome Based Research. 4. Pain Initiative. 5. Anti - Infective Initiative.	1. Consolidat- ion of pharmacies 2. Movement of payers to managed Medicaid or Medicare Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Mark Lehman, PharmD, Director of Clinical Services	1. Risperdal® interventional program 2. Pain interventional program 3. Anti - Infective Intervention Program

Contract Summary

This will be a five-year offer.

The contract is a combination charge-back and rebate agreement.

Strategic products are Risperdal®, Duragesic®, Ultram®, Propulsid®, Floxin®, and Levaquin®. They are all eligible for both a quarterly performance rebate and an annual performance fee.

Rebates are earned on the basis of:

- Actual market share attained
- Product's position on formulary with no competitive disadvantages
- Product designated, at minimum, "Acceptable" on formulary

Strategic product performance fee is earned upon:

- Implementing J&J approved interventional programs
- Achieving pre-determined performance tier
- Additional utilization
- Additive to the quarterly rebates

Market share is calculated on the basis of days of therapy derived from DACON measure.

All J&J products are purchased at contract price (distributor list price less a small discount for capturing charge-back). The rebated products shall also be purchased and rebated at this price-protected contract price. Contract price is price-protected for the first 12 months of the agreement. For the subsequent term, there will be no more than one price change per line item during the 12 months and the aggregate price increase will be CPI +2.

VIII. Putting It All Together

Charter Statement

J&J supplies high-quality products and jointly created clinical and business programs to Omnicare that aid Omnicare in achieving corporate goals and objectives.

Four Best Opportunities

Regain Risperdal® share of atypical APS market through interventional programs and outcomes research.
Execute interventional program to switch propoxyphene orders to Ultram®. Implementation of the National Pain Initiative as a Disease State Management Program.
Execute Levaquin® intervention quinolone program.
Establish relationships with Coromed and IBAH for outcome based research opportunities and generate stability data for Risperdal® 5mg for Heartland repackaging facility.

Three Best Goals

Become Omnicare's resource for pain, behavior management, GERD, and anti-infective therapy through clinical expertise, clinical interventional tools appropriate to LTC, outcomes data, and value-added services.
Partner to assist with reimbursement Medicaid/Medicare/Prospective Payment issues utilizing JPI reimbursement managers and JJHCS government affairs directors.
Implement outcomes projects in APS, motility, and anti-infectives.

Primary Revenue Target

Omnicare will purchase $100 million from the J&J Pharmaceutical Group.

Single Best Opportunity

Risperdal® preferred status on Omnicare's Geriatric Guidelines. To continue this formulary status and to implement Risperdal® PSTI program at all regional sites. Risperdal has the largest dollar potential and the most to lose.

Focus Investment *(Resources Needed)*

APS programs geared to the LTC patient population
Funding for Ultram®/propoxyphene intervention
Funding for Levaquin® interventional program
Heartland repackaging project/ Coromed research projects.

Stop Investment

Monies spent on consultant resources without focus on Omnicare corporate will be money poorly invested.

IX. GOAL ACTION PLAN

Goal: Improve market share of the J&J Pharmaceutical products. Develop long-term relationship with Omnicare, Inc.
Primary Revenue Target (1998) Q1 $18M Q2 $22M Q3 $24M Q4 $26M

Objectives	1st Quarter 1999	2nd Quarter 1999	3rd Quarter 1999	4th Quarter 1999	Comments
Heartland Re-packaging Initiative.	Risperdal® and Propulsid® samples re-packaged at heartland sent to Janssen. Begin Discussions with OMP and Ultram.	Studies begin with Risperdal and Propulsid, Continue discussions with OMP	Janssen studies in progress. Decision by OMP.	Begin Studies Ultram®	
Regranex® Program	Clinical Presentation at Omnicare with Roy, Weir, Knox, Lehman, Maloney, Cummins, Ludeka. Discuss wound care at Business plan meeting with OCR.	Omnicare wound care specialists to be scheduled at OMP wound care centers of excellence.	LTCBM education at Regional Sites.	LTCBM education at Regional Sites	
Risperdal® P.S.T.I.	Continued P.S.T.I. program for all new acquisitions. Clinical Presentation at PCPS to insure new data is in Bob Barren's hands. "Dementia in the Elderly" newsletter sent.	Follow through on Risperdal® P.S.T.I program and insure that interventions are in place. Work closely with Janssen sales force in generating "hit" list of key physicians. "Dementia in the Elderly" newsletter sent.	Target key prescribers on a monthly basis using the "Target MD List" provided to us by Omnicare. Report frequency back to Omnciare on a monthly basis.	Follow through on Risperdal® P.S.T.I. program pullthrough. Implement "Ask the Experts" teleconferences and reintroduce teletopics series.Propose Risperdal Training for all consultant pharmacists and RCDs	
Levaquin Initiative	Finalize Intervention plans and implementation	Begin teleconferencing series in March '99.	Finalize mailing for "flu season" newletter to prescribers	Increase programs and pullthrough during fall and winter season.	

X. Review & Measurement

Ninety-Day Review		
Five Critical Facts	**Opportunity or Threat**	**Implications for Strategy**
1.Good ongoing relationship with Omnicare. 2. Successful PSTI program established with Risperdal®. 80% of all Omnicare beds have been inserviced. 3. Pain Initiative has been received with great enthusiasm. 4. Anti-Infective Clinical Presentation given at PCPS. 5. Heartland Stability Studies/ Coromed partnership in outcome based research.	1. Build on current relationship. 2. The possibility of preferred status with Zyprexa® on Omnicare's "Geriatric Guideline" Formulary. 3. The D/C of propoxyphenes at all regional sites. 4. Opportunity of a Levaquin® Intervention Program. 5. Additional dating for Propulsid®, Risperdal®, Ultram® to help in Heartland's ability to help make production runs longer.	1. Business Strategy Meeting with Omnicare on 2/19/98. Become more acquainted with individual Regional Vice-Presidents. 2 Inservice all new acquisitions to enforce Risperdal's "Preferred Status". Clinical review presentation at PCPS to include Dementia Data. 3. Roll - out of "Non-Malignant Pain Program to all Regions. 4. Levaquin® clinical presentation at Corporate. 5. Completion of stability data for Heartland. Coromed / J&J;meeting for possible partnering in outcome based research on March 12, 1998.

APPENDIX A
OMNICARE ACCOUNT TEAM

Bruce Cummins - Long Term Account Director

REDACTED

Colleen Jones - Long Term Care Account Manager

REDACTED

Tom Knox - Ortho-McNeil Strategic Account Director

REDACTED

Stuart Mohr - Ortho-BioTech Managed Care Manager

REDACTED

APPENDIX B
SALES RESULTS

PRODUCT	1996 SALES	1996 MARKET SHARE	1997* SALES MARKET	1997* SHARE
Risperdal®	$12,510,000	85.0%	$29,850,000	61.0%
Propulsid®	$7,022,500	15.0%	$11,200,000	12.9%
Duragesic®	$4,000,000	51.0%	$8,250,000	47.3%
Procrit®	$3,100,000	90.0%	$6,770,000	91.9%
Ultram®	$1,500,000	8.6%	$4,300,000	26.85%
Floxin®	$763,000	13.0%	$1,320,000	12.45%
Levaquin®	N/A		$1,520,000	1.76%
Total	$28,895,500		$63,210,000	
1996 Sales per Bed = $131.30 1997 Sales per Bed = $162.00				

APPENDIX C
OMNICARE REGIONAL SITES/RESPONSIBILITIES

KANSAS CITY - B. Cummins		
PHARMACY	**LOCATION**	**BEDS**
Sequoia	Tulsa/Oklahoma City Ok.(T. Mackey)	21,000
Freed's	Overland Park, Ks.	16,000
Interlock	St. Louis, Mo.	15,000
Home	Belleville, Il.	9,000
ManagedCare	Springfield, Mo	8,000
Geri Systems	Louisana, Mo.	2,500
Lipra	St. Joseph, Mo.	900
CHICAGO – C. Jones		
PHARMACY	**LOCATION**	**BEDS**
Jacobs Healthcare	Des Plains, Il.	18,400
Enloe Drug	Decatur-Hoffman Estates, Peoria, Il.	15,000
Lawrence Weber	Skokie, Il.	12,000
Care Pharmaceutical	Griffith, In. (B. Morris)	7,000
PRN Pharmaceuticals	Indianapolis (B. Morris)	5,100
Denham Pharmacy	Quincey, Il.	1,500
Nihan Martin	Rockford, IL	2,500
Roeschen's	Milwaukee, WI	3,500
Omnicare – Twin Cities	Minneapolis, MN	14,000
ATLANTA - H. Bradley		
PHARMACY	**LOCATION**	**BEDS**
D&R Pharmacare	Louisville, Bowling Green, Lexington, KY.	8,500
Uni-Care	Prattville, Birmingham, Ala.	6,600
Medcal Arts	Conyers, Ga.	3,000
Pharmacare	Ashland, Ky.	1,300
CLEVELAND / PITTSBURGH - J. Shellem		
PHARMACY	**LOCATION**	**BEDS**
Home Care	Cincinnati, Oh.	15,000
Lo Med Prescription	Wadsworth, Oh.	10,000
Anderson Medical	Pittsburgh, Pa.	6,000
Benwood Pharmacy	Tonawanda, N.Y.	3,000
Indianapolis- B. Morris		
PHARMACY	**LOCATION**	**BEDS**
Specialized Pharmacy	Livonia,MI.	20,500
West Haven Pharmacy	Perrysburg, Oh.	20,100
Beeber Pharmacies	Englewood, Oh.	6,753
Heartland Pharmacy	Toledo, Oh.	5,600
Total Care	Grand Rapids, Mi.	2,000

BOSTON - Tom Zavasky		
PHARMACY	**LOCATION**	**BEDS**
Value Health Services	West Boylston, Ma.	7,300
Northshore Pharmacy	Peabody, Ma.	7,300

Long Term Care

Coordinating **RESOURCES** FOR LONG-TERM CARE

Downeast Pharmacy	Augusta, Me.	5,200
[redacted]	[redacted]	

Unknown

From: Ong, Gregory [HCS]
Sent: Sunday, February 09, 2003 4:05 PM
To: Forsthoefel, Tim [OMP]; Thurmond, Tracey [OMP]; Butler, Dave [JANUS]; Farley, Brett [JAN]
Subject: RE: Omnicare Levaquin Profitability Model

Tim,

Nice work.

The only adjustment I would make would be to account for the rebates in the overall market. Estimate an average rebate percentage that figures into the general market share and compare that to the overall rebate paid by Omnicare. For instance:

> Let's say that the overall Levaquin market share is 35% and the overall average rebate is 8%, while Omnicare share is 65% with a rebate of 15%. Since 35% overall share was earned with an average rebate of 8%, by controlling for that rebate, I would argue that the 30% delta was actually earned with a much smaller investment, specifically the difference between overall market rebates and Omnicare rebates, or 7%. The first 35% of share should be able to be achieved by offering the same rebate as the average overall market rebate. Omnicare's incremental 7% is what earns the incremental market share. Using your chart below, 7% of Omnicare sales equals approximately $1.44MM. The 30% increment remains the same, so the $9MM in sales would actually be earned by $1.44MM, instead of $3MM.

Regards,
Greg

Greg Ong
Associate Manager
Account Development, Long Term Care
Johnson & Johnson Health Care Systems Inc.
REDACTED
GOng@hcsus.jnj.com

-----Original Message-----
From: Forsthoefel, Tim [OMP]
Sent: Friday, February 07, 2003 6:00 PM
To: Thurmond, Tracey [OMP]; Ong, Gregory [HCS]; Butler, Dave [JANUS]; Farley, Brett [JAN]
Subject: Omnicare Levaquin Profitability Model

Omnicare Levaquin Analysis on Profitability.

What this tells me is that for a $3MM investment in rebates with Omnicare, I gain $9MM in sales, less costs and investments, returns $4.8MM to OMP.

Does everyone agree with the modeling concept, and the market share delta (30% over general). A similar "swag" rolled-up could be very telling, as PDLs grow, or rebate increases are demanded by the customer.

Omnicare Profitability for Levaquin

	Sales	Rebates
2Q'02	$ 5,164,761	$ (774,668)

Annualized	$ 20,659,044	$ (3,098,673)	
Market Share	68.44%		
Share Point Value	$ 301,856		
Omnicare Share over Market	30%		
Incremental Sales	$ 9,055,688		$ 9,055,688
Standard Price/Unit	$ 8		
Incremental Units	1,123,535		
Standard Cost	0.9808		
Incremental Cost	$ (1,101,963)		$ (1,101,963)
Less Rebates (Investment)			$ (3,098,673)
			$ 4,855,053

Thoughts?

Tim Forsthoefel, RPh, MBA
Director, National Accounts
Ortho-McNeil Pharmaceutical
REDACTED
E-Mail: tforstho@ompus.jnj.com

Unknown

From: Forsthoefel, Tim [OMP]
Sent: Thursday, January 30, 2003 4:55 PM
To: Russell, Dale [OMP]
Subject: RE: Omnicare Update

Their "posturing" via one individual Not truly actionable, since they can not cancel a "portion" of the contract. It's all an attempt to gain more rebates. JPI is managing correctly to-date. Tim

-----Original Message-----
From: Russell, Dale [OMP]
Sent: Thursday, January 30, 2003 4:38 PM
To: Forsthoefel, Tim [OMP]
Subject: RE: Omnicare Update

Tim,

Does all this convey that they want more discounts on Risperdal or they will harm LEVAQUIN?

-----Original Message-----
From: Forsthoefel, Tim [OMP]
Sent: Thursday, January 30, 2003 3:53 PM
To: Timko, Kimberly [OMP]; Inserra, Robert [OMP]; Smith, Brian D. [OMPUS]
Cc: Thurmond, Tracey [OMP]; Russell, Dale [OMP]
Subject: Omnicare Update

To List:

Net Take-Away: Omnicare is making "noise", but I do not feel we are at risk at this time. This should provide a potential opportunity to "revisit" their agreement with insertion of strategic clauses given growth of PDLs.

Per the voice mail/e-mails recently received from the LTCBG in the past 24 hours, we understand Omnicare is "saber rattling" on their current agreement with J&J, threatening to hold **Levaquin® "hostage"** for incremental rebates on Risperdal.

Per a meeting held this morning, the following were learned, with the associated plan of action.

Omnicare Background

- Omnicare recently negotiated a new amendment with J&J. Subsequent to their concern of loss of share with Risperdal, they requested an additional lower tier for performance payment. (45-55% MS with 11% rebate, implemented and signed/accepted by customer)
- Post their acquisition of NCS Healthcare, they realized an older agreement with NCS had a lower performance tier not currently available to them. It had been eliminated from the market
- Omnicare viewed this as an opportunity - given their increase market presence via NCS acquisition- to leverage JPI at senior management levels.

Meeting Discussion Points

- J&J Pharma represents a large portion, 10-12% of total Omnicare purchases.
- Rebates represent approximately 60%+ of their net income model
- While they view "Levaquin® at risk for failure to cooperate", by contractual terms, they would nullify their entire J&J agreement, at substantial $ losses
- Their contract expires mid-year 2004; with negotiations to begin 4thQ'03
- If we accept customer behavior on Risperdal/Levaquin, will this continue in other categories as well?

- Growth of Medicaid PDLs may require reallocation of investments in LTCPP
- Omnicare, much like Merck-Medco, will continue to be a "high maintenance" customer in LTC, given their market presence
- 3 scenarios to take:
  - Do Nothing (Not customer centric); "Go to War" approach, which we could win
  - Amend current agreement with slight modifications; investments not willing to be funded by JPI
  - Craft a new agreement as a customer response, incorporating current direction on Products, Investments and leverage of PDL market growth

Next Steps

- Tracey and Charles Chartier will be formulating "qualitative" analysis in support of the 3 options above, for review by senior JPI management
- General consensus on "new contract" approach --- if customer accepts, we can strategically position against PDLs; if they refuse, they default to continued acceptance of current agreement

As this further develops, we will inform.

Regards,

Tim Forsthoefel, RPh, MBA
Director, National Accounts
Ortho-McNeil Pharmaceutical
REDACTED
E-Mail: tforstho@ompus.jnj.com

SUPPLY A- 'REEMENT

BETWEEN

Omnicare, Inc.

100 East River Center Blvd.,

Covington, KY 41011

Attn: Dan Maloney
Director of Purchasing
REDACTED

Referred to as: "Manager"

AND

Johnson & Johnson Health Care Systems Inc.

425 Hoes Lane

P.O. Box 6800

Piscataway, New Jersey 08855-6800

Attn: Contract Administration

REDACTED

Referred to as "Supplier"

TERM: From: April 1, 1999
To: March 31, 2004

CONTRACT NUMBER: HCS0068

SIGNATURES

MANAGER

By _____ 2/1/00 Date
Dan Maloney
Director of Purchasing

SUPPLIER

By Bruce Cummins 3/30/00 Date
Bruce Cummins
Corporate Account Director

By _____ Date 5/29/2000
Martine Grant
Manager, Account Development

Johnson & Johnson
HEALTH CARE SYSTEMS INC.

425 Hoes Lane
Post Office Box 6800
Piscataway, NJ 08855-6800
REDACTED

August 22, 2000

Mr. Dan Maloney
Director of Purchasing
Omnicare, Inc.
100 East River Center Blvd.
Covington, KY 41011

Dear Mr. Maloney:

Enclosed is the fully executed copy of the Amendment to the Supply Agreement between Omnicare, Inc. and Johnson & Johnson Health Care Systems Inc.

Should you have any questions or comments regarding this Amendment, please contact Bruce Cummings at REDACTED or me at your convenience.

Thank you for your continued support of the products of Johnson & Johnson.

Sincerely,

Paul J. Kim
Associate Manager, Account Development
REDACTED

Attachment

cc: B. Cummings (Janssen)
bcc: K. Zito (HCS-CA)
P. Bender (Janssen)
T. Knox (Janssen)
S. Boriello (OMP)
D. Butler (Janssen)
C. Jones (Janssen)
P. Kim (HCS)
File

INTRO. 'JCTION

Agreement. This Agreement is an agreement for the supply of certain Products as described herein. This Agreement supersedes all prior agreements between Manager and Supplier or any of its affiliates with respect to any of the Products covered by this Agreement, and is comprised of the following documents:

Cover Page
Introduction
General Terms and Conditions
Administrative Terms and Conditions
Product Terms and Conditions
Performance Measurement
Performance Rebate Matrix
Schedule of Qualifying Active Intervention Programs
Full Product Put-Up Lists (Exhibit A)
Defined Markets (Exhibit B)
List of Manager-owned Closed Pharmacies and Residents (Participating Sites to the Agreement) (Exhibit C)
List of Prime Vendors (Exhibit D)
Certification of Own Use (Exhibit E)
Manager's Checklist for Non Quantitative Requirements (Exhibit F)

Parties.

Supplier is a New Jersey corporation and a wholly-owned subsidiary of Johnson & Johnson, a New Jersey corporation. It is Supplier's mission to provide Manager with one interface to high quality Johnson & Johnson products and health management programs as well as other products and programs from selected partners. Supplier coordinates the consumer, diagnostic, medical & surgical, and pharmaceutical expertise of Johnson & Johnson's affiliates to emphasize wellness, provide early diagnosis, deliver cost-effective treatment and encourage health maintenance. Supplier is responsible to Manager for compliance with all the provisions of this Agreement and will cause its affiliates to cooperate with Manager in that endeavor.

Manager is a Delaware corporation and an independent provider of professional pharmacy and related services for long term care institutions such as nursing homes, retirement centers, home healthcare and other institutional healthcare facilities.

GENERAL TERMS AND CONDITIONS

1. ***Changes in Products.*** If the regulatory status of a Product changes from "prescription" to "over-the-counter", then Supplier may delete that Product from the Product Lists by written notice to Manager. Supplier may also discontinue or modify any Product at any time.

2. ***Term.*** The term of this Agreement is set forth on the cover page hereof. Either party may terminate this Agreement earlier by giving 30 days' written notice to the other party. The provisions of these General Terms and Conditions shall survive termination of this Agreement.

3. ***Notices.*** Any notice given in connection with this Agreement shall be sufficient if in writing and delivered by messenger or sent by postage prepaid mail to the address of the recipient as set forth on the cover page to this Agreement or as changed by the recipient by notice given hereunder. Notices or communications shall be effective when received by the recipient or its legal representative. This provision is not intended to be exclusive, and any notice actually received shall be sufficient.

4. ***Entire Agreement.*** This Agreement constitutes the entire agreement between the parties concerning the Products and subject matter hereof and supersedes all prior negotiations, agreements and understandings between the parties, whether oral or in writing, concerning the Products and subject matter hereof. This Agreement may be modified only in writing signed by the party against whom such modification is asserted provided that the terms of any purchase order, invoice or similar document used to implement this Agreement shall not modify and shall be subject to this Agreement.

5. ***Assignment.*** Neither party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party. For purposes of this paragraph, assignment shall include any assignment by operation of law and any change in control of a party.

6. ***Independent Contractors.*** The parties hereto are independent contractors engaged in the operation of their own respective businesses. Nothing herein shall be construed to create any other relationship between the parties.

7. ***Publicity.*** Neither party shall permit or generate any publicity, advertising or promotion concerning this Agreement without the prior written consent of the other party.

8. ***Confidentiality.*** Neither party shall use information contained in this Agreement for any purpose not contemplated by this Agreement, and each party shall restrict access to this Agreement to personnel within its organization who need such access in order to perform duties related to the implementation of this Agreement or as required by law.

9. ***Legal Changes.*** If any governmental entity shall enact or amend a law or adopt or amend a regulation, or if any governmental entity or court of competent jurisdiction shall adopt or amend an interpretation of a law or regulation, or if a judgment/award is rendered in litigation/arbitration, that has the effect of (a) prohibiting any right or obligation of a party under this Agreement, (b) making any such right materially less valuable or any such obligation

materially more burdensome to a party, or (c) changing materially the economic conditions underlying any portion of this Agreement, then such party may upon notice to the other party terminate immediately such right, obligation or portion of this Agreement insofar as such law, regulation, interpretation, judgment or award applies.

10. ***Force Majeure.*** Noncompliance with any obligation under this Agreement for reasons of *force majeure* (such as: acts, regulations or laws of any government; war or civil commotion; destruction of production facilities or materials; fire, earthquake or storm; labor disturbances; failure of public utilities or common carriers; and any other causes beyond the reasonable control of the party affected) shall not constitute a breach of this Agreement.

11. ***Dispute Resolution.*** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitration shall be held in New Jersey and the arbitrator shall apply the substantive law of New Jersey, except that the interpretation and enforcement of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator shall not award any party punitive or consequential damages, and each party hereby irrevocably waives any right to seek such damages in arbitration or in judicial proceedings.

12 ***Insurance.*** Supplier is a member of the Johnson & Johnson Family of Companies, the largest manufacturer of health care products in the world, and it therefore has access to insurance and other financial resources sufficient to enable it to meet any financial obligation reasonably foreseeable under this Agreement.

13. ***Warranties and Remedies***. In addition to the express warranties contained in the Special Terms and Conditions, Manager shall have the benefit of the warranties implied by the laws of the State of New Jersey governing the sale of goods. In case of breach of this Agreement by either party, the non-breaching party shall have the benefit of the remedies provided by the laws of the State of New Jersey governing the sale of goods, except that neither party shall have the right to consequential or punitive damages, both of which are hereby irrevocably waived by each of the parties. Supplier warrants that in furnishing the Products, Supplier, its affiliates and the Products will comply with all applicable Federal, State and local laws and regulations relating thereto, including (without limitation) the Federal Food, Drug and Cosmetic Act.

14. ***Indemnity***. Supplier shall indemnify, hold harmless and defend Manager from and against all claims of bodily injury or intellectual property infringement made by third parties and arising out of the use of a Product, provided that, Manager shall give Supplier prompt notice of any such claim, permit Supplier to control the litigation and/or settlement of such claim, and cooperate fully with Supplier in all matters related thereto. This indemnity shall not apply to any claim insofar as it arises out of the negligence or misconduct of Manager.

15. ***Execution***. This Agreement will not be considered valid until all required signatures as indicated on the Cover Page have been affixed.

ADMINISTRATIVE TERMS AND CONDITIONS

1. ***Definitions.*** In this Agreement the following terms shall have the meanings assigned to them below.

a) **"Active Intervention Program"** shall mean a program, applied by Manager and accepted by Supplier in writing, which is designed to appropriately shift market share to Supplier's Product. Active interventions can include, but are not limited to, disease management initiatives, written correspondence to Participating Providers prescribing or dispensing pharmaceutical products, educating nursing home staff regarding Supplier's Products, conducting clinical intervention programs through which consultant pharmacists recommend Supplier's Products when appropriate.

b) **"Appropriate Utilization Program"** or "AUP" shall mean a program applied by Manager, and accepted in writing by Supplier, designed to cause the appropriate use of Supplier's Product(s). Supplier approves AUP set forth on the Schedule of Qualifying Active Intervention Programs.

c) **"Benefit"** shall mean a drug or medical equipment benefit which is managed by Manager and under which Medications are dispensed in accordance with one or more Formularies controlled by Manager.

d) **"Closed Pharmacy"** entity shall mean one that is not open to the public for retail sales.

e) **"Contract Year"** shall mean each twelve (12) month period of this Agreement, beginning on the effective date or anniversary thereof.

f) **"DACON"** shall mean the daily average consumption based upon FDA-approved dosing and indication for Medications. The measure shall be provided by Supplier to Manager. The measure, specified in Exhibit B, is used for purpose of calculating market share that is based upon days of therapy.

g) **"Defined Product Market"** shall mean the list of Medications included in the therapeutic categories in which each Product competes.

h) **"Formulary"** shall mean a list of Medications, which, in Manager's sole opinion, reflects the most appropriate pharmaceutical-based care, and which will be dispensed through the Participating Providers to Residents. This list is subject to periodic review and modification by the Manager.
- An "Open" or "Voluntary" Formulary allows both Formulary and non-Formulary Medications to be prescribed or dispensed.
- a "Closed" "Select" or "Mandatory" Formulary limits prescribing or dispensing to those Medications in the Formulary.

Participating Providers and prescribing physicians will be encouraged to use Formulary Medications through mechanisms like Active Intervention Programs and to use Formulary Medications for fulfillment of prescriptions for Residents.

i) **"Formulary Status"** shall mean an award of a Medication on Formulary as listed below. The therapeutic class shall be defined by Supplier's Defined Market for the affected Product. Supplier accepts that generic drugs may be used and shall not affect the fulfillment of Formulary Status unless noted otherwise. On any Formulary, with respect to a specific Medication:

"**Equal Status**" shall mean the Medication competes against other branded Medications on an equal basis, with all cost management controls and interventions being equal , for all labeled indications.

"**Exclusive Status**" shall mean the Medication is the ONLY Medication in its class that will be prescribed or dispensed by a Participating Provider.

"Formulary Access Status" shall mean the Medication may be prescribed or dispensed by a Participating Provider.

"**Preferred Status**" shall mean the Medication is favored over other branded Medications also available.

"**Restricted Status**" shall mean the Medication is prescribed with limitations, e.g. with prior authorization, by specialists only, for selected indications or use in a step-care protocol.

"**Unrestricted Status**" shall mean the Medication is listed on Formulary and dispensed without any restriction on use.

j) **"Hard Edit"** shall mean an on-line electronic lock out of all NDC codes or other prospective processes, employed by Manager and accepted in writing by Supplier, for specific Medications. Hard Edit is a mechanism that permits Manager to control the distribution of such specific Medications.

k) **"Manager"** shall have the meaning described on the cover page and Introduction of this Agreement.

l) **"Market Share Report"** shall mean a report, in an electronic format (such as an Excel spreadsheet) reasonably requested by Supplier, summarizing the Benefit utilization of each Product compared with the Benefit utilization of Medications in the relevant Defined Product Market. This report will include all brands or generics within the therapeutic category.

m) "**Medication**" shall mean any pharmaceutical product, whether manufactured, marketed or distributed by Supplier, or by any third party. For purposes of this Agreement, "Medication" shall also mean Durable Medical Equipment.

n) **"NDC"** shall mean National Drug Code.

o) **"Net Sales"** Contract Price Minus Rebates or discounts.

p) "**Participating Provider**" shall mean and refer to any one or more physicians, physician or medical groups, specialists, hospitals, skilled nursing facilities, extended care facilities, home health agencies, alcoholism or drug abuse centers, or mental health professionals who or which are duly licensed and qualified to practice and prescribe medications in the state of their practice and which are duly authorized to provide medical, hospital, or other treatment services to Residents.

q) "**Participating Site**" shall mean a Manager-owned Closed Pharmacy that dispenses Products under a Benefit to Manager's Residents and is a party to this Agreement.

r) "**Performance Tier**" shall mean a performance goal on a per Product basis, established by Supplier and listed on PERFORMANCE REBATE MATRIX.

s) "**Prime Vendor**" shall mean the wholesaler or distributor designated by Manager or Participating Site(s) to facilitate the distribution of Products.

t) **"Product(s)"** shall mean the Supplier's Medication(s) listed on Exhibit A.

u) **"Product Lists"** shall mean the lists of Products covered by this Agreement and described in Exhibit A.

v) **"Product Market Days of Therapy"** shall mean the sum of all Units Utilized for each NDC for all Medications within a Product's Defined Product Market category divided by the DACON for each such NDC.

w) **"Product Market Share"** The sum total of the Units Utilized for each NDC of a Product divided by its DACON and the result divided by the Product Market Days of Therapy for the relevant Defined Product Market Category.

x) "**Rebate**" shall mean a retrospective reimbursement, based on the utilization of Products, to be paid or credited to Manager under this Agreement.

y) "**Resident**" shall mean a person receiving a Benefit that is provided by the Manager and/or one of the Participating Sites.

z) **"Strategic Products"** These Products are LEVAQUIN® levafloxacin, RISPERDAL® risperidone, ULTRAM® Tramadol, DURAGESIC® fentanyl transdermal system, PROCRIT® epoetin alfa and ACIPHEX™ rabeprazole sodium. Only Strategic Products, as defined here, are eligible to earn the performance-driven Rebates specified in "Performance Rebate Matrix".

aa) **"Supplier"** shall have the meaning described on the cover page of this Agreement.

bb) **"Units Utilized"** shall mean the number of units (tablets, grams, tubes, mls etc.) dispensed to Residents for a given period.

cc) **"Utilization Report"** shall mean a report, in an electronic format reasonably requested by Supplier and sent by separate notice, of the Units Utilized of each Medication in the Defined Product Market, dispensed under Benefits to Residents. This report will include all brands or generics within the therapeutic category.

dd) **"Annual Purchases Per Bed"** shall mean the number of units purchased by Manager within each Product divided by the number of beds served by Manager.

ee) **"Buy-In"** shall mean Annual Purchases Per Bed at the end of a Contract Year which exceed one hundred and twenty (120%) of the Annual Purchases Per Bed determined at the beginning of that Contract Year.

ff) **"Average Annual Market Share"** shall mean the Days of Therapy percent for each Product in its respective Defined Market based on annual product utilization..

gg) **"Annual Adjusted Rebate"** shall mean the collective rebate for all products derived from using the Average Annual Market Share for each product

2. ***Participating Site.***

a) Manager warrants that each site meets the definition of Participating Site described in Article 2.B below and all other requirements of this Agreement.

b) To be eligible for recognition as a Participating Site, a facility must be

i) owned and / or managed by Manager
ii) based and operated in the U.S., and
iii) not compete with retailers serving the general public.

Normally, the following entities would be eligible: closed-pharmacy staff model health maintenance organizations, closed-pharmacy long-term care providers, surgical centers, home infusion providers, closed-pharmacy clinics, and assisted living facilities or home healthcare serviced through a Closed Pharmacy.

c) A site owned and / or operated by Manager shall be party to this Agreement (Participating Site) if and so long as there remains in effect (i) such site's declaration of Participating Site status with Notice of Prime Vendor, and (ii) Supplier's recognition of such status. Supplier's recognition of a Participating Site's status as such shall be assumed unless otherwise notified by Supplier in writing to Manager. It is understood that Supplier will not recognize a Manager's site as a Participating Site for the purposes of more than one agreement. The Manager may revoke the status of a Participating Site as such at any time by written notice to Supplier.

3. ***Residents.***

a) Any Product that meets the terms and conditions as set forth under this Agreement shall be considered eligible for Rebates. However, under the following transactions, utilization of Product shall not be submitted by Manager for Rebate and a Rebate will not be paid by the Supplier:

i) Benefits provided to Residents outside of the fifty United States and the District of Columbia,
ii) Benefits to Residents under which the selection, prescribing and/or dispensing of Product is driven by a third party;
iii) Utilization for which Supplier is obligated to pay incentives (including but not limited to administration fees, discounts and Rebates) under prior agreements with third parties (e.g. employer groups labor unions, etc.) to this Agreement;
iv) Utilization during the quarter in which a Participating Site is added to or terminated,

v) Claims for utilization submitted later than 180 days after the end of a calendar quarter, or for amounts under $100 except at the end of the Agreement.

b) Manager must obtain written approval from Supplier prior to inclusion of Product utilization by Residents which do not meet such criteria.

4 *Reports.*

a) To allow Supplier to verify the amount of Rebates, Manager shall submit reports to Supplier as specified in this section. The reports shall be transmitted by magnetic tape or electronic data transfer as mutually agreed to by Supplier and Manager.

b) Upon execution of this Agreement Manager shall provide Supplier with the following reports. Manager shall provide Supplier with updates to these reports within 60 days after the end of each calendar quarter unless stated otherwise:

i) PRODUCT UTILIZATION REPORT, (following NCPDP guidelines)
ii) LIST OF PARTICIPATING SITES, Exhibit C,
iii) LIST OF PRIME VENDORS, Exhibit D
iv) CERTIFICATION OF OWN USE Exhibit E
v) MANAGERS CHECK LIST FOR NON QUANTITATIVE REQUIREMENTS Exhibit F

c) The PRODUCT UTILIZATION REPORT for each calendar quarter shall be subdivided and aggregated by Manager to provide information by:

i) individual Participating Site
ii) aggregate of all Participating Sites meeting the terms and conditions of this Agreement.

d) In the LIST OF PARTICIPATING SITES, Manager shall provide Supplier with a current list of Participating Sites that are owned and / or operated by Manager. Manager accepts that:

i) preferably within 30 days (but no later than 90 days) after acquiring any facility that meets the eligibility criteria for a Participating Site as described in Article 2.B, Manager shall notify Supplier's Contract Administration described on cover page of this Agreement of such acquisition and the number of Residents involved.

ii) notify Supplier's Contract Administration group described on the cover page of this Agreement of any change in the composition of its group of sites within 15 days thereafter.

iii) any increase or decrease of greater than 10% in the number of beds shall be identified to Supplier as part of each quarterly report.

iv) Supplier shall have the right to approve the inclusion of a site as a Participating Site under this Agreement.

e) In the LIST OF PRIME VENDORS, Manager shall list and summarize (name, address etc.) the PRIME VENDORS servicing each Participating Site.

f) Manager shall complete and send to Supplier a CERTIFICATION OF OWN USE for each Participating Site.

g) Manager warrants the accuracy of all reports submitted pursuant to this Agreement. Manager shall certify satisfaction of meeting all non market share and non quantitative performance requirement(s) for Products. Such certification shall occur through quarterly submission by Manger of the "Manager Checklist of Non-Quantitative Requirements" worksheet included in Exhibit C. Supplier and Supplier's authorized representatives have the right to audit Participating Sites to ensure compliance to this performance requirement.

h) Manager must at all times maintain the computer systems capability to prepare the reports listed in this section.

i) Any data or information exchanged between the two parties pursuant to this Agreement shall be used by the parties solely for the express purpose for which it is provided, and confidentiality of all such data or information shall be preserved.

5. ***Price***

Pricing shall be at Distributor List Price (DLP) at the time of sales less 0.05% with the exception of Procrit which will be at DLP at time of sale minus 5%. In addition, Manager can earn rebates on all Products based on the requirements outlined in the PERFORMANCE REBATE MATRIX. Payment of such rebates will follow procedures outlined in Article 6 "Rebate Policies".

a) **Annual Product Performance Incentive**

i) An Annual Product Performance Incentive of 2% shall be earned on total contracted sales of Products described in Exhibit A, with the exception of Levaquin® and Procrit®. This Annual Product Performance Incentive shall be in addition to any quarterly rebate earned as per the "Performance Measurement and Performance Rebate Matrix". It shall be paid in accordance of Article 6 "Rebate Policies" once Supplier has evaluated Manager's satisfaction of meeting the performance criteria described in "Schedule of Qualifying Interventions". The performance requirements will be determined by both parties, during the quarter preceding the anniversary date of this Agreement for the next Contract Year. The performance shall be evaluated in aggregate at the end of each Contract Year.

ii) Supplier views the "Annual Product Performance Incentive" for full Contract Year. In case this Agreement is terminated prior to completion of a contract year, Supplier will not be obligated to pay Manager any "Annual Product Performance Incentive", for such partial contract year.

iii) The AIP/AUP initiatives will be developed jointly by the two parties and described under "Schedule of Qualifying Interventions".

iv) At the time this Agreement is executed, the Annual Product Performance Incentive shall be considered for Supplier's Products described in Exhibit A with the exception of Levaquin® and Procrit®, if each one of the conditions described in the "Schedule of Qualifying Active Intervention Programs" are met.

v) As and when provided in the "Schedule of Qualifying Active Intervention Programs", each Strategic Product must have an Active Intervention Program initiative applied by Manager in the favor of the Product, to be eligible for Strategic Product Performance Rebates on that Strategic Product except Procrit . Upon written approval of Supplier, an Appropriate Utilization Program may fulfill this requirement. Supplier hereby approves the AIP/AUP initiatives set forth on the Schedule of Qualifying Active Interventions. It is the responsibility of Manager to provide Supplier with notice that AIP/AUP programs are in effect, together with a brief description thereof. A meeting shall occur every quarter between the two parties to review the progress on the business plan. The business plan and the performance goals for earning the Annual Product Performance Initiative may be revised on an annual basis.

b) **Best Price**

If at any time during the term of this Agreement the contract price for any Product code represents an actual discount exceeding the current Medicaid "Best Price" threshold when measured against the current published list price in effect at the time of sale for such Product code, a price adjustment shall be made. The Price Adjustment shall be implemented within 45 days after the close of the quarter in which the Best Price threshold was exceeded, to reduce the time of sale discounts on each affected Product code to the amount one-tenth of a percent (.1%) below that which would set a new Best Price, both retroactively and prospectively.

The price adjustment shall be implemented retroactively (i) by a deduction from any amounts owed to Manager by Supplier under this Agreement or (ii) upon notice from Supplier to Manager of the amount of the price adjustment owed, in the form of a check payable to Johnson & Johnson.

The Price Adjustment shall be implemented prospectively by adjusting the Net Sales price for each Product code.

- Example: assume that a discount greater than fifteen percent (15%) will set a new Best Price and that the list price of a Product code in effect at the time of sale is $100.00, the discount may not be greater than $15.00. If the contract price were $80.00 a Price Adjustment would be made and the new contract price would be $85.00.

6. ***Rebate Policies.***

a) Manager shall fully disclose any Rebates and thereby the net acquisition cost of the Product earned under this Agreement to any and all payors of Benefits including MEDICAID and MEDICARE programs as required by applicable State and/or Federal regulations.

b) Supplier shall pay to Manager the Rebates described on the PERFORMANCE REBATE MATRIX with respect to each Product dispensed to a Resident if and only if all Strategic Products have, at minimum, Formulary Access Status and

iii) listed on Manager's Formulary(s) for labeled indications,

iv) included on Formulary(s) without any competitive disadvantage, and

v) have an AIP/AUP, as and when specified under the Schedule of Qualifying Active Intervention Programs, to be eligible for Rebates for that Product except Procrit

c) The aggregate Rebate for each calendar quarter shall be paid by Supplier to Manager within 60 days after receipt by Supplier of the all reports specified under Section 4 "Reports". The Rebate shall be paid by check or electronic wire transfer.

d) The calculation used by the parties to determine the Rebate owed to Manager is to multiply the sum of the Product Units Utilized, by their respective Distributor List Price at time of sale minus a penny, times the Rebate Percentage for the performance level earned as per the requirements in the Performance Measurement and Performance Rebate Matrix and "Schedule of Qualifying Active Intervention".

e) Supplier will provide an executive summary and report which may include: units purchased units and dollars, rebate percentage and dollars.

i) For a given Product, Rebates based on specific Formulary requirement and Rebates driven on market share-based performance are cumulative

ii) For example Product A may provide a 3% Rebate for meeting Formulary position and similar non-market share based performance criteria and an 8% Rebate for achieving a Tier 3 Market Share during a quarter. If Manager meets the Formulary position criteria and achieves Tier 3, then the 3% Formulary Rebate is in addition to the 8% performance Rebate and Manager will earn a total 11% Rebate for Product A.

7. *Ordering/Distribution*

a) Each Participating Site shall order from and return Products to its Prime Vendor. Contract Prices hereunder shall be available to a Participating Site within 60 days after receipt by Supplier from the Participating Site of the Participating Site's Prime Vendor designation.

b) Manager shall ensure that all Participating Sites purchase Products through this Agreement ONLY and clearly specify this Contract Number when ordering Products from the Prime Vendor or other wholesalers. **Supplier shall pay any and all incentives, including Rebates, only on utilization and sales aggregated under this Contract Number and as measured by Supplier.**

c) Supplier suggests that Manager notify all Prime Vendors (and any other distributor of Products) to use this Agreement for all purchases by Participating Sites. Under no circumstances will Supplier make duplicate payments or reverse payments already made to a third party to this Agreement for Participating Site that purchases under such third party's contract with Supplier.

d) Purchases through a Prime Vendor will be subject to the payment terms, service fee (including without limitation any "up charge" or addition to the prices of Products) and shipping terms that the Participating Site has negotiated with its Prime Vendor. Actual delivery of Products shall be the responsibility of the Prime Vendor.

8. ***Own Use***

Manager warrants that all Products will be dispensed through Closed Pharmacy and used by the Participating Sites solely on Residents, inpatients, staff, employees and students for their own or their dependents' use and not for resale in retail outlets. Each Participating Site shall have on file with Manager certification (Exhibit E) substantially to the above effect. Manager's acceptance of this Agreement will serve as a certification to the above effect.

9. ***Record Keeping***

During the term of this Agreement and for a period of three (3) years following the date of dispensing of Products by Participating Providers, Manager shall keep and maintain accurate records with respect to the dispensing of Products by Participating Providers and Participating Sites as reported to Manager pursuant to this Agreement.

10. ***Audit***

Manager must at all times maintain computer systems capability to accurately track the Resident, Benefit, Product and Participating Site information necessary to implement this Agreement. Supplier shall have the right, upon reasonable notice and during regular business hours, to audit the Manager's books and records to determine the accuracy of Utilization and Market Share Reports and compliance with this Agreement.

11. ***Certification***

Supplier hereby certifies that it has never been convicted of a criminal offense related to a government program or has been excluded or debarred from participation in a government program.

12. *Buy-In*

a) Annual Purchases Per Bed shall be calculated at the beginning and end of each Contract Year, adjusted for any change in the number of beds over the Contract Year. The number of beds served by Manager will be determined by membership information on file for Manager at Supplier.

i. If Manager acquires more than 100 beds in the Contract Year, Manager will submit Annual Purchase Per Bed for beds acquired and Manager's Annual Purchase Per Bed will be restated for Buy-In calculations.

b) Average Annual Market Share, Annual Adjusted Rebate and Buy-In shall be calculated at the end of each Contract Year.

c) Supplier will pay Manager's quarterly rebates for the first three quarters of each Contract Year as provided in the Agreement. At the end of each Contract Year, before paying the fourth quarter rebates, Supplier will determine whether a Buy-In has occurred. If no Buy-In occurred, Supplier will pay the fourth quarter rebates. If a Buy-In occurred, Supplier will do the following:

i. If the total rebates already paid to Manager are less than the Annual Adjusted Rebate for all Products, Supplier will pay the difference to Manger as the fourth quarter rebate. ,

ii. If the total rebates already paid are greater than the Annual Adjusted Rebate for all Products, Supplier will with-hold the difference from subsequent rebate payments to Manager. If that quarter represents the final quarter in the agreement between Supplier and Manager, Manager will pay the difference to Supplier.

d) If this agreement is amended to include additional Strategic Products, eligible to earn performance-driven Rebates and Manager applies Product Specific AIP to drive market share similar to those outlined in Schedule of Qualifying Active Intervention Program in favor of Products, Supplier will not assess Buy-In for the first year the product is on contract. Thereafter, Buy-in shall be defined as stated in Administrative Terms & Conditions 1ee.

e) Supplier reserves the right to monitor Manager's purchasing activity and adjust rebates if Supplier suspects a Buy-In by Manager, upon consultation with Manager.

PRODUCT SPECIFIC TERMS AND CONDITIONS

PROCRIT® (Epoetin alfa)

PROCRIT® (Epoetin alfa) is promoted for non-dialysis use only. Supplier will not honor payments of prime vendor discounts associated with this Agreement, for any purchases made by the Manager or Manager's Participating Sites, for any Epoetin alfa usage by patients receiving dialysis treatment. Dialysis Centers are excluded from receiving discounts or Rebates for PROCRIT (Epoetin alfa) under this Agreement.

ACIPHEX® (Rabeprazole sodium)

ACIPHEX® (Rabeprazole sodium) is eligible for rebates based on utilization as of April 1, 2000

PROPULSID® (Cisapride)

PROPULSID® (Cisapride)is not eligible for rebates based on utilization as of April 1, 2000.

PERFORMANCE MEASUREMENT

1. **This Agreement pilots a new concept for Supplier to evaluate performance on basis of DACON (Daily Average Consumption). Consequently, Supplier retains the right to modify the performance evaluation measurement based on DACON after the first year of this Agreement. In this case, both parties will develop a mutually acceptable performance measurement criteria or else terminate this Agreement as per the "Term" provisions under Article 3 of General Terms and Conditions.**

2. Re-definition of Manager's Performance Tiers: Due to long term care market share fluctuations not attributable to Manager, Supplier retains the right to review and adjust, if necessary, Manager's Performance Rebate Matrix. Any changes to the Performance Rebate Matrix shall be communicated in writing by Supplier to Manager at least 60 days before the change takes affect. Manager shall have the opportunity to discuss the rationale for the proposed change with Supplier within the 60 day period extended.

   a) If the FDA were to change the current indication or labeling for any one of Supplier's Products or competitive Medications listed in the Defined Markets (Exhibit B) or if Article #10 under General Terms and Conditions describing the LEGAL CHANGES were to materialize, Supplier will re-evaluate the Performance Tier for the affected Product(s).

   b) If the FDA approves new Medications and subsequently, such Medication is added to the Defined Markets (as per the conditions described in "Definition of Therapeutic Classes), Supplier may re-evaluate the Performance Tier.

3. Performance requirements and corresponding Rebates for Strategic Products are listed below under "Performance Rebate Matrix"

4. Supplier retains the sole right to define and re-define the pharmaceutical Defined Product Market and/or DACON measure for a Medication based upon

   a) the entry of a Medication into the market,

   b) the removal/discontinuation of a Medication from the market,

   c) a change in the indication of Medication(s), or

   d) a modification by Supplier of their view of Medications against which Supplier's Product(s) compete.

   When there is a change in a Product(s) Defined Product Market, Supplier shall provide Manager with the revised Defined Product Market (Exhibit B).

PERFORMANCE REBATE MATRIX

Product		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Active Intervention Program Requirements
DURAGESIC®	Actual Mkt Share	55.0%	60.0%	65.0%	70.0%		See Below
	Rebate %	2.0%	4.0%	8.0%	10.0%		
ACIPHEX™	Actual Mkt Share	Transition Period (12 months)	<15.0%	≥15% to 24%	≥25% to 29%		See Below
	Rebate %	8.0%	0.0%	8.0%	10.0%		
PROPULSID™	Actual Mkt Share	Formulary Access	20.0%	25%	30%		NONE
	Rebate %	1.5%	4.0%	8.0%	10.0%		
LEVAQUIN® TABLETS (1)	Actual Mkt Share	Transition Period (6 months)	<50%	≥50%			See Below
	Rebate %	6.0%	0.0%	15.0%			
LEVAQUIN® IV (1)	Actual Mkt Share	Transition Period (12 months)	<50%	≥50% to 70%	>70%		See Below
	Rebate %	5.0%	0.0%	5.0%	7.0%		
RISPERDAL®	Actual Mkt Share	Transition Period (6 months)	< 35%	35% to 37%	>37% to 42%	>42%	See Below
	Rebate %	5.0%	0.0%	6.0%	9.0%	11.0%	
ULTRAM®	Actual Mkt. Share	Formulary Access	10.0%	15.0%	20.0%	25.0%	See Below
	Rebate %	1.5%	3.0%	4.0%	6.0%	8.0%	
PROCRIT®	Actual Mkt. Share	Formulary Access					See Below
	Rebate %	2%					

Notes:

(1) Levaquin Tablets and Levaquin IV

a) Supplier will pay Rebates during the 12 month Transition Period as long as Manager achieves the following market share milestones for Levaquin Tablets:

Timeline	Market Share
6 months following the effective date of this Amendment	35%
9 months following the effective date of this Amendment	40%

b) For the first 12 months following effective date of the Amendment, Manager's Levaquin market share will be calculated including Levaquin and Floxin NDC in the Numerator. At the end of this 12 month period, and going forward, Levaquin market share will be calculated using only Levaquin NDC in the Numerator

c) In the event Manager's performance during the Transition Period exceeds 50% market share, Manager will immediately qualify for the corresponding Rebate.

SCHEDULE OF QUALIFYING ACTIVE INTERVENTION PROGRAMS

Rebate shall be paid only if all of the following programs are completed:

General Active Intervention programs:

- Manager will include all Strategic Products in the P&T manual' "Contracted Product Listing" and index which will be sent to Manager's prescribing practitioners.
- Manager will send a contract notification letter to field operations, clinical and inventory specialist at each pharmacy location.
- All products included in this Agreement will be on Manager's Formulary
- The Schedule of Qualifying Interventions, shall be reviewed during annual business planning meetings. During the meeting, the AIP/AUP will be revised and performance goals evaluated
-

Duragesic and Ultram approved AUP

National Pain Management Initiative was jointly developed by Manager and Supplier to enhance compliance to this Agreement and completed by June 30, 1999. The training initiative was designed to and accomplished the following:

- Give consultant pharmacists greater awareness and understanding of pain management principles in the geriatric population
- Train consultant pharmacists to identify residents receiving inappropriate or inadequate pain management therapy and where Duragesic and Ultram may be appropriate alternative medications
- Equip consultant pharmacists to effectively communicate recommendations regarding pain management to prescribing physicians and other health care professionals

Levaquin

Levaquin® will have a Selected formulary position and will be first line therapy for quinolones, when clinically appropriate and indicated. For the purpose of this Amendment, "Selected" shall mean Levaquin® competes against other branded Drugs (in its Defined Market) on an equal basis, with all cost management controls and interventions being equal, for labeled indications. In addition, Levaquin® is favored, when clinically appropriate and indicated, over all other branded Drugs also available

- During the first quarter following the effective date of this Amendment, Manager will inform attending physicians of Levaquin®'s addition to the formulary as the Selected quinolone.
- Levaquin® will be stocked in E-boxes and Manager agrees to a verification system, to be determined and implemented within the first quarter following the effective date of this Amendment.
- Manager's appropriate personnel will actively participate in educational and promotional programs discussing Levaquin®'s clinical advantages. Supplier will organize such programs.
- Manager will facilitate access of Suppliers representatives to its Participating Sites

Risperdal

Risperdal® will have a Selected formulary position and will be the first line anti-psychotic, when clinically appropriate and indicated. For the purpose of this Agreement, "Selected" shall mean Risperdal® competes against other branded Drugs (in its Defined Market) on an equal basis, with all cost management controls and interventions being equal, for labeled indications. In addition, Risperdal® is favored, when clinically appropriate and indicated, over all other branded Drugs also available. All other competitive atypical anti-psychotic products in the Defined Market are Prior Authorized for Risperdal® failure.

During the first two quarters following the effective date of this Agreement, Manager shall work with Supplier to implement communication effort to inform attending physicians of Risperdal®'s formulary position and to enhance compliance of this Agreement.

Manager's appropriate personnel will actively participate in educational and promotional programs discussing Risperdal®'s clinical advantages. Supplier will organize such programs. Manager will facilitate access of Suppliers representatives to its Participating Sites

New Products

Manager agrees to an early review of any new product newly marketed by Supplier. For the purpose of this Agreement, early review shall mean a clinical and business presentation regarding a new product made to Manager with Manager's agreement within the first 3 months of a new product's introduction to the market.

Data

Manager agrees to provide sales volume data by site on a monthly basis.

EXHIBIT A FULL PRODUCT PUT-UP LIST

NDC	J & J NAME	GENERIC DESCRIPTION	STRENGTH	How Supplied	Eaches Per SUOM
50458003305	Duragesic	Fentanyl Transdermal System	25 MCG/HR	Patches	PACKAGE of 5
50458003405	Duragesic	Fentanyl Transdermal System	50 MCG/HR	Patches	PACKAGE of 5
50458003505	Duragesic	Fentanyl Transdermal System	75 MCG/HR	Patches	PACKAGE of 5
50458003605	Duragesic	Fentanyl Transdermal System	100 MCG/HR	Patches	PACKAGE of 5
50458027036	Ergamisol	Levamisole HCl	50 MG	Tablets	BOTTLE of 36
00062118501	Erycette	Erythromycin	2%	Pledgets	BOX of 60
00062154002	Floxin	Ofloxacin	200 MG	Tablets	BOTTLE of 50
00062154102	Floxin	Ofloxacin	300 MG	Tablets	BOTTLE of 50
00062154201	Floxin	Ofloxacin	400 MG	Tablets	BOTTLE of 100
00062155001	Floxin	Ofloxacin	400 MG	10 ML Vial	VIAL of 1
00062155301	Floxin I.V	Ofloxacin	200 MG	50 ML I.V. Mini-Bag	BAG of 1
00062155202	Floxin I.V.	Ofloxacin	400 MG	100 ML I.V. Mini-Bag	BAG of 1
00062154005	Floxin UD	Ofloxacin	200 MG	Tablets	UNIT of 100
00062154105	Floxin UD	Ofloxacin	300 MG	Tablets	UNIT of 100
00062154205	Floxin UD	Ofloxacin	400 MG	Tablets	UNIT of 100
00062021160	Grifulvin-V	Griseofulvin	250 MG	Tablets	BOTTLE of 100
00062021460	Grifulvin-V	Griseofulvin	500 MG	Tablets	BOTTLE of 100
00062021470	Grifulvin-V	Griseofulvin	500 MG	Tablets	BOTTLE of 500
00062020604	Grifulvin-V Susp	Griseofulvin	125MG/5ML	120 ML Oral Suspension	BOTTLE of 1
00045025446	Haldol Dec 100	Haloperidol decanoate	100 MG	5 ML Vial	BOX of 1
00045025414	Haldol Dec 100	Haloperidol decanoate	50 MG	1 ML Ampules	BOX of 5
00045025301	Haldol Dec 50	Haloperidol decanoate	50 MG	1 ML Ampules	BOX of 10
00045025346	Haldol Dec 50	Haloperidol decanoate	50 MG	5 ML Multi-Dose Vial	BOX of 1
00045025303	Haldol Dec 50	Haloperidol decanoate	70.52 MG	1 ML Ampules	BOX of 3
50458051010	Hismanal	Astemizole	10 MG	Tablets	BOTTLE of 100
50458051013	Hismanal	Astemizole	10 MG	Tablets	PACKAGE of 120
50458040010	Imodium	Loperamide HCl	2 MG	Capsules	BOTTLE of 100
00045006701	Levaquin	levofloxacin	250 mg	50mL Injection Premix	Bag of 1
00045152010	Levaquin	levofloxacin	250 MG	Tablets	Bottle of 100
00045152050	Levaquin	levofloxacin	250 mg	Tablets	Bottle of 50
00045006801	Levaquin	levofloxacin	500 MG	100mL Injection Premix	Bag of 1
00045152510	Levaquin	levofloxacin	500 MG	Tablets	Bottle of 100
00045152550	Levaquin	levofloxacin	500 Mg	Tablets	Bottle of 50
00045006951	Levaquin	levofloxacin	500 MG 25mg/mL	20mL Injection Single-use	Vial of 1
00062543401	Monistat-Derm	Miconazole Nitrate	2%	30 GM Cream	TUBE of 1
00062543402	Monistat-Derm	Miconazole Nitrate	2%	15 GM Cream	TUBE of 1
00450441803	Motrin Sup	ibuprofen	100 MG\5 ML	ORAL SUSPENSION	24
00045044817	Motrin Sup	ibuprofen	100 MG\5 ML	ORAL SUSPENSION	1
50458022115	Nizoral Cream	Ketaconazole	2%	15 GM Cream	TUBE of 1
50458022130	Nizoral Cream	Ketaconazole	2%	30GM Cream	TUBE of 1
50458022010	Nizoral Tablets	Ketaconazole	200 MG	Tablets	BOTTLE of 100
59676031001	Procrit	Epoetin alfa	10000 U/ML	1 ML Vial	PACKAGE of 6
59676031002	Procrit	Epoetin alfa	10000 U/ML	1 ML Vial	PACKAGE of 25
59676031201	Procrit	Epoetin alfa	10000 U/ML X 2 ML (20,000 UNITS)	2 ML Vial	PACKAGE of 6
59676032001	Procrit	Epoetin alfa	20000 U/ML X 1 ML (20,000 UNITS)	1ML Vial	PACKAGE of 6
59676030201	Procrit	Epoetin alfa	2000 U/ML	1 ML Vial	PACKAGE of 6
59676030202	Procrit	Epoetin alfa	2000 U/ML	1 ML Vial	PACKAGE of 25
59676030301	Procrit	Epoetin alfa	3000 U/ML	1 ML Vial	PACKAGE of 6
59676030302	Procrit	Epoetin alfa	3000 U/ML	1 ML Vial	PACKAGE of 25
59676030401	Procrit	Epoetin alfa	4000 U/ML	1 ML Vial	PACKAGE of 6
59676030402	Procrit	Epoetin alfa	4000 U/ML	1 ML Vial	PACKAGE of 25

NDC	J & J NAME	GENERIC DESCRIPTION	STRENGTH	How Supplied	Eaches Per SUOM
50458043010	Propulsid	Cisapride	10 MG	Tablets	BOTTLE of 100
50458043012	Propulsid	Cisapride	10 MG	Tablets	BOTTLE of 120
50458043050	Propulsid	Cisapride	10 MG	Tablets	BOTTLE of 500
50458044001	Propulsid	Cisapride	20 MG	Tablets	BOXES of 100
50458044006	Propulsid	Cisapride	20 MG	Tablets	BOTTLE of 60
50458044025	Propulsid	Cisapride	20 MG	Tablets	BOTTLE of 250
50458044010	Propulsid	Cisapride	20MG	Tablets	BOTTLE of 100
50458045045	Propulsid Suspension	Cisapride	1MG/ML	450 ML Oral Suspension	BOTTLE of 1
50458043001	Propulsid UD	Cisapride	10 MG	Tablets	BOTTLE of 100
00045009560	PANCREASE CAPS	Pancrelipase	4500 U.S.P. UNITS	CAPSULES	100
00045009569	PANCREASE CAPS	Pancrelipase	4500 U.S.P. UNITS	CAPSULES	250
00045034160	PANCREASE MT 4	Pancrelipase	4000 U.S.P. UNITS	CAPSULES	100
00045034260	PANCREASE MT 10	Pancrelipase	10000 U.S.P. UNITS	CAPSULES	100
00045034360	PANCREASE MT 16	Pancrelipase	16000 U.S.P. UNITS	CAPSULES	100
00045034660	PANCREASE MT 20	Pancrelipase	20000 U.S.P. UNITS	CAPSULES	100
50458030001	Risperdal	Risperidone	1 MG	Tablets	BOTTLE of 100
50458030006	Risperdal	Risperidone	1 MG	Tablets	BOTTLE of 60
50458030050	Risperdal	Risperidone	1 MG	Tablets	BOTTLE of 500
50458032001	Risperdal	Risperidone	2 MG	Tablets	BOTTLE of 100
50458032006	Risperdal	Risperidone	2 MG	Tablets	BOTTLE of 60
50458032050	Risperdal	Risperidone	2 MG	Tablets	BOTTLE of 500
50458033001	Risperdal	Risperidone	3 MG	Tablets	BOTTLE of 100
50458033006	Risperdal	Risperidone	3 MG	Tablets	BOTTLE of 60
50458033050	Risperdal	Risperidone	3 MG	Tablets	BOTTLE of 500
50458035001	Risperdal	Risperidone	4 MG	Tablets	BOTTLE of 100
50458035006	Risperdal	Risperidone	4 MG	Tablets	BOTTLE of 60
50458030503	Risperdal Oral Solution	Risperidone	1 MG/ML	30 ML Oral Solution	BOTTLE of 1
00062546001	Spectazole Cream	Econazole Nitrate	1%	30 GM Cream	TUBE of 1
00062546002	Spectazole Cream	Econazole Nitrate	1%	15 GM Cream	TUBE of 1
50458029001	Sporanox Cap	Itraconazole	100 MG	Capsules	BOTTLE of 30
50458029004	Sporanox Cap	Itraconazole	100 MG	Capsules	BOTTLE of 30
00045063965	Topamax	topiramate	25mg	Tablets	Bottle of 60's
00045064165	Topamax	topiramate	100 mg	Tablets	Bottle of 60's
00045064265	Topamax	topiramate	200mg	Tablets	Bottle of 60's
00045048632	Tylenol Chewables	acetaminophen	80 MG	Chews	CASE of 48X30
00045012303	Tylenol Child Liq	acetaminophen	160 MG	4 OZ Oral Suspension	CASE of 36
00045045103	Tylenol ES Cap	acetaminophen	500 MG	Caplets	CASE of 20 X 150
00045045104	Tylenol ES Cap	acetaminophen	500 MG	Caplets	CASE of 10X150
00045045170	Tylenol ES Cap	acetaminophen	500 MG	Caplets	BOTTLE of 700
00045012218	Tylenol Grape Susp	acetaminophen	80 MG	15 ML Oral Suspension	CASE of 36
00045050180	Tylenol RS Cap	acetaminophen	325	Caplets	BOTTLE of 1
00045050190	Tylenol RS Cap	acetaminophen	325	Caplets	BOTTLE of 1
00045050130	Tylenol RS Tabs	acetaminophen	325 MG	Caplets	CASE of 20X150
00045052660	Tylox Cap	acetaminophen/oxycodone hydrochloride	5 MG	Capsules	BOTTLE of 100
00045052679	Tylox UD Cap	acetaminophen/oxycodone hydrochloride	5 MG	Capsules	BOTTLE of 100
00045065960	Ultram	tramadol	50 MG	Tablets	BOTTLE of 100
00045065910	Ultram	tramadol	50 MG	Tablets	BOTTLE of 100
00045065970	Ultram	tramadol	50 MG	Tablets	BOTTLE of 500
50458011001	Vermox	mebendazole	100 MG	Tablets	CARD of 12
6285624330	Aciphex	Rabeprazole sodium	20MG	Tablets	BOTTLE OF 30
6285624341	Aciphex	Rabeprazole sodium	20MG	Tablets	BOTTLE OF 100

EXHIBIT B: DEFINED MARKET

Defined Market is subject to changes, the latest version will be submitted a time of execution of this Agreement.

EXHIBIT C: LIST OF MANAGER OWNED CLOSED PHARMACIES AND RESIDENTS
(Participating Sites to the Agreement)

MANAGER: _____

Contract No: _____
Contract Date: _____

(FOLLOWING TO BE COMPLETED FOR EACH SITE PARTICIPATING FOR PURCHASES UNDER THIS AGREEMENT)

Facility Name:

Address:

Phone and FAX Number:

Contact Name:

Facility ID Number (e.g. DEA#, HIN...)

Number of Beds

EXHIBIT D: LIST OF PRIME VENDORS

(FOLLOWING TO BE COMPLETED FOR EACH PRIME VENDOR)

Prime Vendor Name:

Address:

Phone and FAX Number:

Contact Name:

ID Number (e.g. DEA#...)

EXHIBIT E: CERTIFICATION OF "OWN USE" FOR EACH PARTICIPATING SITE

Name of Participating Site: _____ MANAGER: _____

Address: _____ Contract No: _____

_____

_____ Contract Date: _____

DEA#: _____

I certify that the above-mentioned Participating Site is not engaged in retail sales and that all items purchased through the above-referenced Agreement (hereafter the "Agreement") will be utilized for Participating Sites' own operations and otherwise consistent with the established guidelines based on the United States Supreme Court decision in Abbott Laboratories, et. al, vs Portland Retail Druggists Association, et. al. As used herein, any and all merchandise purchased under the Agreement shall be for our own use and not for resale or in competition with private sector pharmacies. The phrase "own use" is limited to the following:

- Dispensing of the pharmaceutical or Durable Medical Equipment (DME) Products to Residents by Participating Site(s) while resident of any healthcare facilities serviced exclusively by a Closed Pharmacy;

- Dispensing of the Product to Residents upon their discharge from any healthcare facility serviced exclusively by Closed Pharmacy as take-home prescriptions or supplies necessary for a limited and reasonable time as continuation of treatment;

- Dispensing of the pharmaceutical or DME Products to Manager's employees or employees of facilities serviced by Participating Site(s) for their own use or the use of their dependents (but not for the use of their non-dependent family members); or

- Dispensing of the pharmaceutical or DME Products to a staff member physician in a facility serviced by Manager for his or her personal use, or for the use of his or her dependents (but not other persons or for use in the physicians' private practice).

I further represent and warrant that this Participating Site shall not buy, distribute, sell, transfer, or use pharmaceuticals and DME products priced under this Agreement or cause the distribution of such Products in any manner contrary to the requirements of "own use" or any terms and conditions contained in the Agreement. Further, I understand that applicable Federal and state laws may impose penalties for any such violations. If Supplier shall reasonably determine that a Participating Site is using the Products for any other purpose, it shall have the right to immediately terminate the Agreement with respect to such Participating Site and to refuse to accept any further orders under the Agreement from or on behalf of such Participating Site.

Manager Representative:

_____ _____

Authorized Name (Print or Type) Date

_____

Title

_____

Signature

EXHIBIT F: MANAGER'S CHECKLIST FOR NON QUANTITATIVE REQUIREMENTS

Johnson & Johnson Health Care Systems Inc.
Non-Market Share Based Performance Requirement Checklist (To Be Completed by OMNICARE Every Quarter)

Company Name: Omnicare, Inc.
Quarter: _____
umber of Beds: _____
Formulary ID: _____

Please place an (X) in the appropriate column for all products that are on contract to signify compliance with contract terms.

Product Description	Formulary Status						No Active Intervention Program	General Active Intervention Program	Product Specific Active Intervention Program	Target List of "High" Prescribers of Competitive Agents to Supplier	Other (*)
	Equal	Exclusive	Formulary Access	Preferred	Restricted	Unrestricted					
DURAGESIC											
FLOXIN											
LEVAQUIN											
PROPULSID											
PROCRIT											
ACIPHEX											
RISPERDAL											
SPORANOX											
ULTRAM											

* *Any other requirements specified in contract terms that are not listed herein.*

Authorized Signature: _____
Name: _____
Date: _____

Note:

1. This form must be filled out completely by Manager and sent to Supplier's Contract Administration group described on the cover page of this Agreement on a quarterly basis with rebate submissions. If checklist is not received, no payments will be made.
2. **Mandatory Brand Interchange** - If contract specifies a Mandatory Brand Interchange for any product, the required documentation per contract terms must be supplied on a quarterly basis with rebate submissions.
3. Contract terms grant Supplier a specific amount of time from the time rebate submissions are received (i.e. 60 days) to make payments. The count does not begin until a complete rebate submission is received. Completeness is defined as all the proper report formats and the above stated requirement.

Unknown

From: Stocker, Bonnie [HCS]
Sent: Wednesday, August 25, 1999 4:10 PM
To: Grant, Martine [HCS]
Cc: Moccio, Lorraine [HCS]; Shah, Sanjay P [HCS]; Griffin, Sue [HCS]
Subject: RE: Omnicare

Martine:
Regarding points 2 & 3 below, I would estimate a turn-around time by September 10th. We need to research the original contract prices offered, compare to list price at time of sale for each contract that Omnicare members purchased from, and add the possible additional rebate to Omnicare, in order to see if the 15% best price guideline would be violated. Please note our research would contain only "other contracted" sales information, we do not capture non-contracted activity that Omnicare may be doing. Please let me know if that timeframe works with your requirements.

For point 1, Martine, I need to understand how this is a contract payment related activity. From my point of view, it would seem to be a marketing development study - to measure the impact of a different Defined Market and different DACON, and not something to support getting the payment to the customer.

For your guide, originally Omnicare's Risperdal performance was measured based on the original Defined Market with limited competitors. From 2Q97 to 2Q98 Omnicare never exceeded Tier 1 (MS < 75%), which earned them a rebate of 2.0%. It is only from 3Q98 onward that Omnicare submitted competitor information based on the new Risperdal matrix with the expanded list of competitors. I believe that we did use 1.14 in 1Q99. Total rebates in both 1Q99 & 4Q98 needed to be reduced because the combined front end price and performance rebate exceeded 15%.

Let me know your thoughts. I understand the importance of your research in sustaining our relationship with Omnicare, but I also need to be sensitive to the other customer payment activities that our department supports.

Regards,

Bonnie K. Stocker
GPO/LTC Payments
REDACTED

-----Original Message-----
From: Grant, Martine [HCS]
Sent: Wednesday, August 25, 1999 1:30 PM
To: Stocker, Bonnie [HCS]
Cc: Shah, Sanjay P [HCS]; Feroz Siddiqi, Anwar [JANUS]; Cummins, Bruce [JAN]; Butler, Dave [JAN]; Jones, Colleen [JAN]; Griffin, Sue [HCS]
Subject: Omnicare
Importance: High

Bonnie,
In further conducting due diligence for Omnicare's concern regarding rebates for non contracted sales, the Omnicare account team had the following questions/additional request:

1. What would the rebates for Risperdal be with DACON of 1.14 instead of 1.646 for the entire time period
2. What are the estimated rebates for other operating company besides Janssen?
3. Will the rebates identify set a new Best Price for any of the contracted products?

Please confirm that the above is clear and and let me know how much time your team will need to answer these questions?

Thanks.

Martine Grant

Health Care Systems
Contract Marketing and Analysis

REDACTED

Unknown

From: Cummins, Bruce [JAN]
Sent: Monday, September 13, 1999 4:57 AM
To: Grant, Martine [HCS]
Cc: Butler, Dave [JAN]; Jones, Colleen [JAN]
Subject: Omnicare Rebates

Martine,

I am sending you all of the copies of information that I received from Omnicare last week in association with the ongoing rebate dilemma. There have been a couple of new twists added.

*The amount of $702,761.30 that was brought to our attention Omnicare for purchases made outside of the JJHCS contract was incorrect. This amount was actually the amount of the 1% overlay for 1998-1999. The $300,000 educational funding amount was generated for the 1% overlay from 1997-1998, which Omnicare figured to be $339,852.00. These amounts were generated based on an oral agreement between Denny Sherrill and Dan Maloney, in essence because, Omnicare's contract was missing the page that described performance tiers needed to qualify for rebates.

*The amount requested by Omnicare for rebates lost from ordering outside the contract were as follows and will be included in my mailings to you. (Please refer this information to Bonnie Stocker and Sue Griffin).

Rebates Lost

3rd Quarter 1997	$ 75,106.11
4th Quarter 1997	$ 23,111.57
1st Quarter 1998	$ 23,343.77
2nd Quarter 1998	$103,114.93
3rd Quarter 1998	$ 86,613.10
4th Quarter 1998	$ 49,329.01
Total	$360,618.49

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4th Quarter 1998	$ 49,329.01
Total	$360,618.49

Dave,

I would like to explain to you how I am planning to solve the rebate issue with Omnicare.

As you our aware Omnicare initially came to us with two figures:
*The first figure was $300,000 for the 1% overlay which we felt obligated to pay based on the contract revisions (market components and revision of the dacon issue).
*The second figure was $702,761.30 which was explained to us as rebates that should have been credited to Omnicare from purchases made outside the JJHCS contract. This number was given to me by both Tim Bien and Dan Maloney. We specifically asked HCS (Bonnie Stocker) to look into the figure for verification. The figure she came up with was around $90,000 of rebates on strategic products purchased outside the JJHCS contract.

After our meeting with Omnicare last week, I was taken back to Dan's office where a third figure of $339,000 was given to me with an explanation of the $300,000 payment made was for the 1% overlay in 97-98. The $702,000 was for the 1% overlay in 98-99, and the new $339,000 figure was for purchases made off the JJHCS contract. Dan apologized for the fact that he led us on a "wild goose chase" in trying to verify $700,000 worth of rebates generated from purchases made outside JJHCS contract. This supports the notion that apparently Dan and Tim don't understand what monies are associated with rebates or overlays, they just know that they need money.

Based on the current scrutiny that is now taking place with our industry, and having no other form of verification outside of a verbal commitment from Denny Sherrill that Omnicare will be taken care of, I do not believe we can support the payment of $700,000 on a 1% overlay that was based on the specific qualifiers on Exhibit D of the contract. (A page that was missing from Omnicare's contract).

My recommendations are as follows:

1.) Complete the $300,000 funding program and send a check to Omnicare as soon as possible. This will complete the 1%
overlay for 97-98, and the way it was initially served up to us, should have completed the overlay for the entire period in
question.
2.) Deny any claims for an additional $700,000 for rebates on 98-99 supported by the inability to reach contract parameters
as well as complicating the process further by trying to incorporate a way in which a payment solution could be worked
out and thus putting us in "harm's way" for a possible fraud and abuse lawsuit.
3.) Verify the remaining $339,000 claim and if the numbers support Omnicare rebate purchases outside the HCS contract,
we should pay them.

I will follow up with Bonnie, Sue, and Martine on the verification of the $339,000. I will also draft the specifics for your review in explaining to Omnicare why we will not pay the $700,000.

Bruce Cummins

Dave,

Partially based on our conversation this morning, here are the components I plan on addressing with either Dan Maloney or Tim Bien regarding the 1% overlay for 1998-1999.
Based on Exhibit D of the previous contract covering the period between April 1, 1999 - April 30, 1999

"The Strategic Brand Performance Rebate shall be earned if and only if all of the following criteria have been fulfilled"

Risperdal	Tier 3
Floxin	TIer 1
Ultram	Tier 2
Duragesic	Tier 2

The Performance Tiers for 1997-98 were as follows

	1stQ - 98	4Q97	3Q97	2Q97
Risperdal	Tier 1	Tier 1	Tier 1	Tier 1
Duragesic	Tier 2	Tier 1	Tier 0	Tier 0
Ultram	Tier 0	Tier 3	Tier 2	Tier 1
Floxin	Tier 1	Tier 1	Tier 1	Tier 0

RISPERDAL TIER NOT ACHIEVED.

The Performance Tiers for 1998-99 were as follows:

	1stQ - 99	4Q98	3Q98	2Q97
Risperdal	Tier 2	Tier 2	Tier 0	Tier 0
Duragesic	Tier 1	Tier 1	Tier 1	Tier 1
Ultram	Tier 0	Tier 2	Tier 2	Tier 2
Floxin	Tier 0	Tier 0	Tier 0	Tier 0

RISPERDAL TIER NOT ACHIEVED

Points considered that will be discussed:

RELATIONSHIP: A partnership is mutually beneficial. We understand the financial problems that are facing Omnicare. We have worked in the following areas to help drive initiatives as well as strengthening our partnership:

* Spending over 1 million dollars on initiatives supporting Risperdal, Duragesic, and Pain Programs.
* Looking into issues surrounding purchases may outside of the HCS contract accounting for $360,000.
* Supporting Manager's Conference two years in a row.
* Supporting programs that help overcome physicians resistance to Risperdal ($300,000).

Based on the continuing scrutiny regarding abuse in our industry, we must follow contractual issues to the letter. No overlay's will be paid for 97-98 or 98-99.
We will review purchases may outside the JJHCS contract to see if anything can be done for the periods from 2nd quarter 1997 through present.

Dave,

Here are the summary of events, pertaining to the conversations I've had with both Dan Maloney, Director of Purchasing and Tim Bien, Senior Vice President of Professional Services and Purchasing. Please feel free to pass my comments on.

On Wednesday, September 22nd, I contacted Dan Maloney and told him I wanted to address three issues. I started out by saying that the Omnicare purchases made outside of the JJHCS contract were still being evaluated. I told Dan it might be toward the end of the week or beginning of next week before I have any additional information. (Martine Grant had left me a message on Thursday, stating that the figures that she and Bonnie Stocker are arriving at are around $60,000, not $360,000 which is what Omnicare is asking for.)

I told Dan that the contract for the educational regional seminars had been completed and could be sent out at any time for signatures. After the signed contract had been received he would receive the check for $300,000.

I then expanded the conversation to include our relationship and how not only were we doing the things listed above, but had spent over 1 million dollars in resources in helping to drive the Risperdal and Levaquin Initiatives. I also talked about the funding for the manager's meetings as well. I stated that we knew Omnicare was having a rough financial year, but based on the

components of the contract there would be no 1% overlay paid for 98-99. Dan became rather defensive, stating that this was not right and that he wanted to contact Denny Sherrill and make him "squirm" based on Denny's commitment to take care of Omnicare even though they did not receive Exhibit D of the contract. Dan continued to suggest that since Exhibit D was never sent to him, Omnicare had no knowledge of having to achieve any tiers for the overlay. The only binding nature of the agreement was Danny's verbal commitment. I told Dan that weather or not he received the contract was irrelevant. What mattered was that legal would interpret the contract that was in HCS's hands and would not pay the overlay. Dan became angry, threatening the relationship, and told me he wanted nothing more to do with it. At this point he told me to carry on any additional conversations with Tim Bien. I told Dan I was in Chicago and if Tim needed to contact me, he should try my mobile phone. Dan said he was going to prepare a package of information for Tim for possible legal action. We signed off at that point.

When I returned home on Thursday, I came to find out that Tim had been trying to reach me at my office and that Dan had forgotten my mobile number so that I couldn't be reached by telephone. I contacted Donna Fairbanks to set up a time to talk with Tim. Tim was out of the office until Monday so I told Donna to have Tim call me from where he was at or that I would reach him on Monday. I had left a message for Gary Erwin based on a message that Tim had left him requesting two things for our Oct. 4th meeting at OBI on Procrit and the Pre-dialysis market. Tim wanted $200,000 for a pilot program and a further discount on Procrit. I told Gary that this meeting was neither the time nor the place to talk about discounts and if they wanted to look at $200,000 for a pilot program, we would need to know how the money was going to be spent.

I received a call in my office from Tim at around 10:45 A:M on Thursday, September 23rd. He was with Joel Gemunder and Gary Erwin in Wisconsin. Tim started by
saying there would be no talk about Procrit discounts at our meeting with OBI, that he would send me a breakdown of how the $200,000 would be used to pilot the program, and that he didn't think I would be going to jail (a comment that I can only guess was delivered to him by Dan Maloney, when I had made a flippant remark stating that I wasn't going to go to jail for Dan, Omnicare, or for that matter J&J). Tim went on to say that our relationship was in serious jeopardy, that he was angry and that he wanted his money. I told Tim that I didn't expect him to be happy, but at the same time no 1% overlay would be paid because the contractual components were not met by Omnicare. Tim stated again, that the only thing that mattered was the verbal commitment and the fact that a page was missing from the contract. I told Tim, it had no bearing and that we were not going to pay the overlay. Tim (as if not hearing a word I said) says, I will jump on a plane to New Jersey and speak with David Norton, our legal department, and whom ever else needed to get him his money. I told Tim, that it wasn't his money and that it wouldn't make a difference.

Tim then decided to work the relationship angle, and stated this was going to have an impact on our initiatives, he talked about all the efforts that they had made in fueling the Risperdal and Levaquin Initiatives, to which I replied that we had spent over $1 million dollars in resources to help them as well. He then threaten to "pull the plug" on the Procrit Initiative which in his words will generate "Tens of MIllions of Dollars" for J&J. (Tim still has no concept of the legalities surrounding Procrit and even if he took his business to Amgen, OBI would still get paid, but I didn't bring that up.) Tim told me that he would continue on with the October 4th meeting, with the assumption that the overlay would be paid. Again I told him, it was not possible. He ended the conversation by stating the legal issue was not a problem, and that if Johnson and Johnson really wanted to continue the relationship, they would find a way to fix it, either by discounts, etc..) He told me that he expected us to find a way to make it right. I again told him that based on the components of the contract, there was no way we would be paying an overlay. He told me that I knew his view and I told him he knew mine and we said good-by.

Martine,

I felt better sending this E- Mail rather than faxing it to your hotel. Tim Bien's (Sr. Vice President of Professional Services and Purchasing) comments are as follows:

For Discussion and Settlement Purposes

*The Agreement as signed by Omnicare does not contain the later-delivered Exhibit D.
*The Agreement as signed by Omnicare contains pages consecutively numbered through page 38. Exhibit C begins on page 30 and Exhibit E begins on page 36. Exhibit D must be on pages numbered between 31 and 35.
*Omnicare was told that pages 34 ad 35 of the Agreement signed by it were Exhibit D.
*The document given to us after the fact purporting to the Exhibit D has no page numbers.
*The Agreement is sloppily drafted with a variety of technical defects, mislabeling and incomplete items; it is not surprising that pages 34 and 35 would amount to Exhibit D even if not labeled as such.
*The Agreement by its terms and absent Exhibit D provides a basis for calculating the 1% rebate.
*Legal principals of interpretation require that ambiguous language be construed against the draftsman of the contract. J & J drafted the contract.
*For each of Risperdal, Floxin, Ultram and Duragesic, Omnicare had in place an approved Active Intervention or Appropriate Use Program as required by the Agreement.
*In December 1999 we were first told of the existence of quantitative performance measures and not simply the requirement that an AIP or AUP be in place.
*The volume requirements in the different Exhibit D were much higher than we would have agreed to and certainly higher than the level where we would have booked revenue which we did.

The agreement provision that needs to be removed from the "Initiative Partnership" is on page 4 section 3 and states:

"Omnicare shall prepare and submit a report to J$JHCS outlining Omnicare's activities and expenditures persuant to this Agreement after six months and again at the expiration of this Agreement."

Dave,

I wanted to keep you updated on the initiatives that we are currently trying to complete with Omnicare. I wanted to also comment on the nice job Martine Grant has done, especially as it pertains to the rebates Omnicare is requesting from purchases made outside the JJHCS contract.

1.) OMNICARE EDUCATIONAL INITIATIVE. This initiative was signed by Mark Lehman, Director of Clinical Services, and Myself on Wednesday, October 10th. I have Fed-Exed all copies to Martine for her signature. Once this is completed, I will submit an original copy to Tim Bien. The $300,000 check will be sent within the next few days to Tim Bien's attention. Project - COMPLETED

2.) PURCHASES MADE OUTSIDE HCS CONTRACT - As you are aware, there was a great deal of discrepancy on rebates that Omnicare felt they deserved, and the reality of the situation from an HCS perspective. I say reality because due to Martine Grant, Bonnie Stocker, and Sue Griffth's attention to detail we were able to counter many of the erroneous claims for rebate made by Omnicare. There really was two major issues that Omnicare initially didn't grasp. The first was a reduction of rebates by 2% (GPO administration fees) that Omnicare had failed to reduce there calculations by. Dan had no problem with this, and in fact told me, "I'll get the 2% from McKesson". That issue was then laid to rest. The other issue was "best price" and during the 4Q of 98 and the 1Q of 99, Omnicare was at best price with Risperdal, Levaquin, and Duragesic. Dan was aware of best price issues during the first quarter of 99, but didn't believe that to be the case in the 4th quarter of 98. Pam Rubble called me today (Dan's assistant) to tell me that indeed there figures supported a "best price" issue and would not press the claims in that area. The only other issue that remains on the table is some discrepancy in sales volume between HCS and Omnicare. Matine is currently looking into this matter and I don't believe this will be a major issue. I should have this put to rest by the end of next week. I wanted to commend Martine for the work that she did on this project.
By putting together the information the way that she did, my presentation to Dan was irrefutable. There was no recourse that Dan could take with the facts that Martine had put together. In defense of her efforts, and the efforts of the HCS team (Bonnie and Sue), the original rebate asked for by Omnicare of $339,852.00 has been reduced and effectively communicated to Omnicare based on the evidence, to be at $66,495.76. I have every reason to believe that Omnicare will no longer challenge this figure, once the sales dollar discrepancy has been alleviated. Again, my hats off to Martine and the HCS team!

3.) REBATE ISSUES 98-99. I have "floated" the physican's data balloon to Tim. Although Tim still feels that legally he is in the right and believes no other avenue should be addressed outside of paying him the $700,000, he hasn't shut the door on this proposal.

Unknown

From: Cummins, Bruce [JAN]
Sent: Friday, October 15, 1999 2:22 PM
To: Butler, Dave [JAN]
Cc: Jones, Colleen [JAN]; Grant, Martine [HCS]; sshaw6@hcsus.jnj.com
Subject: Omnicare - Proposals

Dave,

I wanted to keep you updated on the initiatives that we are currently trying to complete with Omnicare. I wanted to also comment on the nice job Martine Grant has done, especially as it pertains to the rebates Omnicare is requesting from purchases made outside the JJHCS contract.

1.) OMNICARE EDUCATIONAL INITIATIVE. This initiative was signed by Mark Lehman, Director of Clinical Services, and Myself on Wednesday, October 10th. I have Fed-Exed all copies to Martine for her signature. Once this is completed, I will submit an original copy to Tim Bien. The $300,000 check will be sent within the next few days to Tim Bien's attention.
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2.) PURCHASES MADE OUTSIDE HCS CONTRACT - As you are aware, there was a great deal of discrepancy on rebates that Omnicare felt they deserved, and the reality of the situation from an HCS perspective. I say reality because due to Martine Grant, Bonnie Stocker, and Sue Griffth's attention to detail we were able to counter many of the erroneous claims for rebate made by Omnicare. There really was two major issues that Omnicare initially didn't grasp. The first was a reduction of rebates by 2% (GPO administration fees) that Omnicare had failed to reduce there calculations by. Dan had no problem with this, and in fact told me, "I'll get the 2% from McKesson". That issue was then laid to rest. The other issue was "best price" and during the 4Q of 98 and the 1Q of 99, Omnicare was at best price with Risperdal, Levaquin, and Duragesic. Dan was aware of best price issues during the first quarter of 99, but didn't believe that to be the case in the 4th quarter of 98. Pam Rubble called me today (Dan's assistant) to tell me that indeed there figures supported a "best price" issue and would not press the claims in that area. The only other issue that remains on the table is some discrepancy in sales volume between HCS and Omnicare. Matine is currently looking into this matter and I don't believe this will be a major issue. I should have this put to rest by the end of next week. I wanted to commend Martine for the work that she did on this project.
By putting together the information the way that she did, my presentation to Dan was irrefutable. There was no recourse that Dan could take with the facts that Martine had put together. In defense of her efforts, and the efforts of the HCS team (Bonnie and Sue), the original rebate asked for by Omnicare of $339,852.00 has been reduced and effectively communicated to Omnicare based on the evidence, to be at $66,495.76. I have every reason to believe that Omnicare will no longer challenge this figure, once the sales dollar discrepancy has been alleviated. Again, my hats off to Martine and the HCS team!

3.) REBATE ISSUES 98-99. I have "floated" the physican's data balloon to Tim. Although Tim still feels that legally he is in the right and believes no other avenue should be addressed outside of paying him the $700,000, he hasn't shut the door on this proposal.

1998/1999 Rebate – Omnicare JJHCS Contract

Omnicare Inc. and Johnson & Johnson Health Care Systems has been debating an issue of rebates on contractual purchases between 1998 and 1999. In question, is a page that had been missing from Omnicare's contract (Page 34 noting specific market share parameters needed to be reached for rebates known as Exhibit D.) Omnicare's approach to the rebate was subjective in nature and felt it dealt more with the implementation of a Risperdal Intervention program and an initiative that built as a foundation the correct usage of pain medications. Omnicare felt that they were in compliance with all aspects of the contract. In good faith, we must do the right thing. We didn't hold our end of the way Omnicare has perceived this contract, while Omnicare has performed and has been able to move Risperdal market share in an extremely competitive market.

These points have been noted:

1) The contract contained vague language
2.) Omnicare was not at fault.
3.) Omnicare proved that they could move share.
4.) The market definitions of the anti-psychotic market changed through the life of the contract. The market definitions initially included atypical's but was later enlarged to add conventionals.
5.) The DACON units were changed to reflect a lower average consumption in geriatric dementia from 1.6 to 1.16.

Omnicare is the example of what Johnson & Johnson believes to be the gold standard of Pharmacy Providers.

They have been able to switch propoxyphene prescriptions to Ultram and have done an outstanding job in generating Risperdal market share.

Here is what Omnicare has been able to generate through the life of the contracts:

3Q97	60.64 market share	
4Q97	58.64 market share	
1Q98	61.21 market share	
2Q98	59.09 market share	
3Q98	29.19 market share	(change in market parameters)
4Q98	38.57 market share	
1Q99	40.90 market share	
2Q99	47.66 market share	

Knox, Tom [OMP]

From: Bradley, Howard [JAN]
Sent: Tuesday, October 26, 1999 11:45 AM
To: Anwar Feroz Siddiqi; Blaine Morris; Bruce Cummins; Colleen Jones; Dave Butler; Haresh Kanenya; James Malloy; Joe Shellem; John Latta; Keith Allen; Kristin Merritt; Philip Bender; Susan Cooper; Thomas Zavasky; Tom Lerman; Tom Mackey
Cc: Hale, Mike [OMP]; Knox, Tom [OMP]
Subject: LEVAQUIN target physicians list #1

Dear Managers and Directors

It is very exciting to see our LEVAQUIN® share grow at Omnicare and Vencare. We have a window of opportunity before new quinolones are introduced so it is helpful to ensure that we help our OMP counterparts learn more about the LTC prescribing of **CIPRO** and **ROCEPHIN**. (two messages are required since files are so large and lists are sorted by city and zip since State may be missing or be in incorrect field) Many of you have been collecting names of physicians from OMNICARE pharmacies and I would like to share with you a national list of VENCARE Pharmacy Services physicians as well. There is probably a great deal of overlap among LTC Pharmacy providers as physicians tend to go to more than one facility.

I have given this information to Mike Hale, Strategic Account Director, but you may also wish to share it with your local OMP partners.

We are not asking OMP reps to go out of their area or to call on non targeted physicians!!

We do feel they should have access to this information as a business planning tool because it may reflect part of a physician practice that is not well understand or not recognized. It may also help the rep prepare to deliver a geriatric focused message that will influence retail, hospital, assisted living, home health, and LTC sales. **The name of the Pharmacy provider must not be mentioned to the Physician.**

Please let me know if you have any questions.

Best regards,

Howard Bradley.

REDACTED

OMNICARE
2000 BUSINESS PLAN

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1999 Accomplishments

- Completed "Risperdal Re-Ignition Program" - Generating over a 50% market share.
- Completed Portnoy Conference Calls to over 400 Consultant Pharmacists and sending out over 500 audio tapes to provider sites.
- Worked closely with Eldercare Sales Force in Developing Physician Call Activity Based on Omnicare Generated Lists.
- Developed Programs for Consultant Pharmacists in Dealing with Obstacles and Overcoming Resistance in Physician Prescribing Habits toward Risperdal.
- Contractual Terms - List Price
- Dacon Revised,
- Levaquin over 50% Market Share.

Lessons Learned

- Omnicare can run Successful Prospective as well as Retrospective Intervention Programs.
- Prospective Payment has a major effect on the Pharmacy Provider Market.
- Omnicare has the Ability to Provide Useful Physician Prescribing Information.

Issues/Challenges for 2000

- Medicare Drug Bill.
- Balancing Numerous Product Opportunities and Issues.
- Continued Pressures Revolving Around Prospective Payment
- Combining CRO's Under One Umbrella.
- Contractual Rebate Issues / Past & Present.
- Positioning of Risperdal on USP Clinical Formulary.
- Partnership Opportunities.

Strategies/Tactics for 2000

- Maximize Strategic Brand Shares and Dollars through Contractual Agreement with Omnicare. Education and pull through opportunities should be geared toward:
  - Chronic Renal Insufficiency with Procrit
  - Dementia and Schizophrenia with Risperdal.
  - Pain Management
  - Anti-Infective Therapy.
- Coordinate Eldercare, OMP and OBI sales efforts throughout Omnicare's Provider Sites.
- Assist brand management in decisions made regarding Omnicare.

Strategies/Tactics for 2000

- Move Risperdal Market Share Over 60% - adjust Tier. Have Risperdal in Preferred Status in both Dementia and Schizophrenia.
- Develop Protocol For Chronic Renal Insufficiency Initiative with OBI on Procrit.
- Move Levaquin Market Share to Over 70%.
- Look at Possible Partnership Opportunities Regarding Omnicare Website.
- Re-new Confidence in Omnicare CRO Capabilities/
- Synergize lobbying efforts on Defeating Medicare Drub Bill.
- European Initiative,

Unknown

From: Stocker, Bonnie [HCS]
Sent: Tuesday, June 29, 1999 9:13 AM
To: Grant, Martine [HCS]
Cc: Griffin, Sue [HCS]
Subject: RE: Omnicare 1% Strategic Overlay Payment

Martine:
Please advise if this means we can close the file on the Strategic 1% Overlay and will not be making the payment to the customer. Typically, we would advise the customer in writing if they did not meet the performance requirements, and did so with Omnicare the first time the rebate claim was reviewed. However, I assume that this will be the final decision not to pay the first year of the overlay payment.
Thank you.
Bonnie

-----Original Message-----
From: Grant, Martine [HCS]
Sent: Friday, June 25, 1999 4:21 PM
To: Stocker, Bonnie [HCS]; Griffin, Sue [HCS]
Subject: FW: Omnicare 1% Strategic Overlay Payment

Bonnie,
It appears that I had already sent this email to you. Sue, welcome to the Omnicare 1% Strategic Overlay quagmire.

-----Original Message-----
From: Grant, Martine [HCS]
Sent: Thursday, May 20, 1999 1:15 PM
To: Stocker, Bonnie [HCS]
Subject: FW: Omnicare 1% Strategic Overlay Payment

-----Original Message-----
From: Grant, Martine [HCS]
Sent: Wednesday, May 19, 1999 6:19 PM
To: Feroz Siddiqi, Anwar [JANUS]; Sherrill, Denny [HCS]; Cummins, Bruce [JAN]; Butler, Dave [JAN]
Cc: Shah, Sanjay P [HCS]
Subject: Omnicare 1% Strategic Overlay Payment

Anwar,
This confirms the discussion we had today that you wanted to share with the Omnicare Account Team on the payment of Omnicare's 1% Annual Strategic Overlay. As we discussed, CMA has exhausted all potential solutions to legally pay the rebate and recommends a Fee for Service solution.

Potential Solutions

OPTION I - Legal Payment of the Rebate

OPTION II - $300K Fee for Service

Recommendation

OPTION II is by far the cleaner solution and the only legal one (See Details Below)

OPTION I failed in that data does not support the hypotheses for legal payment suggested in Palm Springs(See Details Below)

Next Steps

You recommended an Account Team Meeting to reach closure on a solution for Omnicare [Karen Pastor will coordinate]

@@

OPTION II Details

- The Account Team needs to develop creative ways that Omnicare can perform services of $300K
- The 300K will hit the PME budget of the Brand Marketing Teams

OPTION I Details

1. The Defined market and performance tiers % for Risperdal changed
Data shows that there was an amendment to the contract for the Risperdal Defined market effective August 1, 1998, (which does not cover the period in question 2Q97 to 1Q98) and did not address the defined markets previous to that date. We can not at this point, craft an amendment to change the effective date of the defined market amendment.

2. The DACON for Risperdal was changed
Analysis shows that even with a DACON of 1.14 instead of 1.646 for Risperdal, Omnicare did not meet Tier 3 market share of 85%

3. The tier and associated market share required of Omnicare were higher than those required of Phamerica
The Second Pharmerica contract amendment offered the client an Annual 1% Strategic Overlay with the same tier requirement as that outlined in the Omnicare contract

4. Omnicare grew tremendously over the first year period of the contract and so newly acquired beds diluted share
Based on data submitted by Omnicare regarding participating sites, there was 26% growth in # of beds over the first year of the contract. 99% of the 90,000 beds that were added in that period occurred in 3Q97 and Omnicare had a 90day or full quarter before submitting utilization for those new beds. Impact of those beds took effect in 4Q97. In 4Q97 and 1Q98 performance improved, so contrary to the original hypothesis, the increase in the number of beds increased performance.

5. Payment of the 1% Strategic Overlay is justified by the fact that we moved the customer to list price
The justification for moving to list price is already included in a 2% Strategic Overlay effective as of May 1, 1999.

6. Other suggestions that were made are not being considered because they are relatively weak arguments or they put us at risk for fraud and abuse:

- The fact that Omnicare sales has grown significantly and they have implemented active intervention programs is great, but we have already adequately compensated them and so going above the contract put us at risk for fraud and abuse
- The argument that Schedule D was missing from the contract is not a very strong argument by itself and agreeing to pay would set a bad business precedence on our part
- Paying for data / analysis that Omnicare does currently for us such as the Risperdal DACON analysis will set a precedence of J&J paying Omnicare for data
- Paying a one-time fee for moving to DLP will set a precedence of J&J paying Omnicare everytime there is a price increase.

Unknown

From: Wright, Becky [HCS]
Sent: Wednesday, October 23, 2002 10:36 AM
To: Russell, Frank [JANUS]; Mareske, David [CNTUS]; Howard, Donald R. [OBI]; Forsthoefel, Tim [OMP]
Subject: FW: University Hospitals Blocking DDD Data

Please let me know your availability for a conference call on Wednesday, October 30th or Thursday, October 31st to discuss. Thanks!

Becky Wright

-----Original Message-----
From: Thrasher, Don [HCS]
Sent: Monday, October 21, 2002 3:25 PM
To: Wright, Becky [HCS]
Subject: FW: University Hospitals Blocking DDD Data

please set-up call for distribution on Tim's message + David Mareske...next weekmidweek or later

-----Original Message-----
From: Forsthoefel, Tim [OMP]
Sent: Monday, October 21, 2002 2:21 PM
To: Thrasher, Don [HCS]; Asbury, Valerie [HCS]; Russell, Frank [JANUS]
Cc: Coleman, Randy [CNTUS]; Hale, Mike [OMP]; Howard, Donald R. [OBI]; Cork, David [JANUS]; Danna, Mark [HCS]
Subject: RE: University Hospitals Blocking DDD Data

Don --- I believe we all share your concern in this potential market trend.

J&J Pharma, has previously gone on record, from corporate, that:

1. We must have data to support contracts - Healthcare compliance
2. We will *not* pay customers for data. We've demonstrated walk-aways previous with customers like Wal-Mart

Having stated the above, in MCO (HMO/PBMs) customer segments, LTC (e.g. Omnicare), and select acute facilities, OMP and J&J Pharma *will accept* customer data for contract compliance, with audit rights.

If we continue to see expansion of accounts with-holding their data from IMS-DDD, and they choose to participate within our contracts, then we may have to address differential discounts levels to accommodate the incremental internal processing costs. The key "pressure points" that we control are adm.fees, and price discounts. All others are controlled by our customers.

Let's get Frank, Dave Mareske, OBI, yourself, and myself to further chat about market messages and alternatives.

A key market message is that the entirety of the market data, "scrubbed" with standard processes, make this information of value. Piece meal is of limited value, and we all agree, ultimately creates costs that must be shared back to the customer.

Let's chat. Tim

-----Original Message-----
From: Thrasher, Don [HCS]
Sent: Saturday, October 19, 2002 3:15 PM
To: Asbury, Valerie [HCS]; Forsthoefel, Tim [OMP]; Russell, Frank [JANUS]

Cc: Coleman, Randy [CNTUS]; Hale, Mike [OMP]; Howard, Donald R. [OBI], Cork, David [JANUS]; Danna, Mark [HCS]
Subject: University Hospitals Blocking DDD Data

There have been several university hospitals this year who have threatened to or actually have implemented a DDD data block. Two new ones, including the University of Pennsylvania have surfaced in the last few weeks. The Novation Account Team believes that we must establish a policy to keep this trend from continuing and even snow balling. We believe, as does Novation, unless major manufacturers stop this trend soon, that it will become widespread among university hospitals and possibly spread to not-for-profit facilities.

UHC threatened to block DDD data for all of their university teaching hospitals approximately 2 1/2 years ago. We pushed back very hard on this, and with the help of Novation, UHC backed away from this position. The hospitals argue that DDD data is used by manufacturers who do not have formulary products to promote their products. They also claim that DDD data is used inappropriately with doctors within the hospital. The bottom line is that these facilities believe that they can better control utilization if manufacturers, especially those without formulary or contract positions, do not have access to DDD data. Some hospitals offer that they will provide wholesale invoices to document market share or sales volume under performance driven contracts. They also claim that the needed sales data can be attained for contracted manufacturers from Novation with their Prism data base.

This is of concern to the Novation Account Team for the following reasons.
1) We will loose a reliable third party data source to accurately assess compliance in these hospitals under performance driven contracts. Wholesaler invoice information can readily be manipulated, especially for market share driven pricing.
2) The cost of handling wholesaler invoices or Novation Prism data to assess contract performance for these hospitals is incremental to our current costs structure.
3) The ability to assess representative performance for annual evaluations and variable compensation is diminished or at least more expensive.

The Novation Account Team has discussed the following policy:
1) There must be a third party data source that is acceptable to J&J for a hospital to assess better pricing tiers in performance driven contracts. Prism may be acceptable. Wholesaler invoices should only be accepted if the reports come directly from the wholesaler.
2) We should pass-on our incremental costs of doing business with such hospitals. We believe a 2-5% administration charge is appropriate for us to manually handle performance data outside of DDD for a hospital. This pass-on may be via an administration fee bill to such facilities or more likely be accrued by adjusting the hospital's price up by the 2-5%.
3) Incremental sales gains from very large volume hospitals insisting on blocking DDD data may offset our incremental cost of manually handling usage data. Supertanker hospitals can be handled under an exception process if they offer us incremental gains / commitment versus other facilities - as is our current practice for many contracts.

We used a similar policy approach for a hospital in Tampa concerning Centocor last week. The Centocor letter, coupled with Novation's assistance, resulted in the Director of Pharmacy withdrawing her DDD data block.

My office will be setting-up a conference call in the short future to discuss this issue and to consider establishing a J&J policy.

Don Thrasher
REDACTED

Email: dthrashe@hcsus.jnj.com

Unknown

From: Shah, Sanjay P. [HCS - CMA]
Sent: Wednesday, May 17, 2000 4:40 PM
To: Grant, Martine [HCS]
Subject: RE: LTC Proposal for Omnicare

Martine - looks great. However, I would directly (and mention up front) the decision we want regarding safe harbor provisions and as a result whether such payment in essence a "marketing services fee" to offset actual costs incurred in providing valuable services to J&J would be excluded from Medicaid best price calculations.

Sanjay Shah
Contract Marketing & Analysis

REDACTED

sshah@hcsus.jnj.com

-----Original Message-----
From: Grant, Martine [HCS]
Sent: Monday, May 15, 2000 7:21 PM
To: Shah, Sanjay P. [HCS - CMA]
Subject: LTC Proposal for Omnicare
Importance: High

Sanjay,
Below is the argument I presented to Mike via vmail for Omnicare Strategic Overlay. I followed up with Anwar today and Mike as well and hope to send this off to Mike tomorrow. Let me know your thoughts before I send this along.

Mike,
As I mentioned in my vmail

Omnicare is a LTC Pharmacy Provider who owns or leases the pharmacies that they manage to serve nursing homes. They are the largest player in the LTC market and they do about $120M annually of J&J business. We have a great relationship with the customer, and our product market shares are significantly higher than those of our other LTC customers

Here is the question:

The account team would like to assist the customer with some of the non market share activities that they do on our behalf.

That means assisting them financially with the foll

1. Data collection
2. Communicating J&J promotions to nursing home that they serve
3. Communicating to their pharmacies to drive compliance to the contract
4. Tracking & Summary reports that we use to identify opportunities to drive our business

Omnicare data is not available through a 3rd party like IMS and so the team feels that fair market value for the services they would provide for us would be in line with health care compliance.

What are your thoughts on assisting Omnicare financially to provide the services outlined above?

Sanjay mentioned that we may have done something similar for Merck Medco and perhaps a similar offer here would comply with Safe Harbor Laws.

The market value would not be tied to sales but rather represent fair market value for the service they provide and would not apply to Best Price.

Unknown

From: Butler, Dave [JAN]
Sent: Tuesday, July 11, 2000 9:29 PM
To: Grant, Martine [HCS]
Subject: Omnicare consultant services revenue

Dear Martine:

How close are we to finalizing a proposal around Omnicare consultant services revenue to replace the current 2% overlay?

Regards,

Dave Butler
Long Term Care Group

Omnicare Profile

2Q00

Product	Contr. Sales	Market Share
Risperdal	16,558,294	58.13%
Duragesic	4,597,723	58.42%
Aciphex	147,454	1.65%
Procrit	4,505,905	
Propulsid	154,808	1.12%
Ultram	1,213,133	24.74%
Levaquin Tab	3,480,377	61.35%
Levaquin IV	367,445	58.52%
	31,025,139	

LTC PP Beds (K)

Omnicare	525
Pharmerica	425
NCS	245
NeighborCare	260
APS	110
Vencare	80
SunScript	70
	1,715

Recent developments

1. Consulting and Services Agreement
    a. Risperdal Rebates have been pushing towards Best Price
    b. To avoid Best Price, the Strategic Overlay for Risperdal (2% of sales) had to be eliminated
    c. In order to balance this, an agreement was established with Omnicare to purchase data, roughly at the cost of the Strategic Overlay for Risperdal
    d. Data to be sent to J&J include data which is not available via IMS or other 3rd parties (Quarterly physician prescribing reports, quarterly competitive market share by pharmacy site, monthly market share reports)

2. Risperdal, Duragesic Amendment
    a. Risperdal: tiers and rebate rates raised to help entrench Risperdal's position in Omnicare's business
    b. Duragesic: tiers lowered slightly to earn same rebate rate

3. New Acquisitions Amendment
    a. Under discussion
    b. Two options:
        1. New acquisitions submit separately for first qtr, but are measured by O'care's matrix
        2. O'care's market shares and resultant rebates are applied to New Acquisition (will fail red-faced test)

4. McKesson Waiver for price increases (signed by Omnicare, but to be signed and forwarded to HCS by McKesson)
    a. Price increases require 45 days for full implementation
    b. Omnicare requested that going forward, its price increases be implemented as soon as increases are announced
    c. Omnicare wants to take advantage of maximum rebate amounts per quarter
    d. The concern is that Omnicare's member sites will purchase off of other buying group's contracts; this will result in Omnicare possibly losing a significant amount of sales and rebates

5. Advancement of 2Q00 rebates
    a. HCS sent $2.5MM against its 2Q00 rebates in order to assist in cash f.low issue

Observations

1. The LTC Pharmacy Providers market is undergoing financial difficulties
2. Omnicare is spearheading an effort to consolidate the market among LTC Pharmacy Providers
    a. Anecdotal evidence point to Omnicare having an interest in purchasing APS and/or NCS
    b. But given the limited number of players in the market and the consolidated number of beds, Regulators may intervene
3. It is considered to be the most likely to be the "last one standing"
4. Given that it also had a few financial difficulties (cash flow problem in 2Q00), it may not be as viable as first thought
5. Omnicare has been pushing for greater discounts (rebates) due to its market size as well as its ability to move share
    a. Its ability to move share is noted, but other players are currently moving their share more aggressively than Omnicare
    b. However, given Omnicare's size, there may come a point where rebate arrangements are determined based on share-movement ability as well as size (beds)

CONSULTING & SERVICES

Agreement Between

Omnicare, Inc.

100 East River Center Blvd.,

Covington, KY 41011

Attn: Dan Maloney

Director of Purchasing

REDACTED

Referred to as: "Omnicare"

AND

Johnson & Johnson Health Care Systems Inc.

425 Hoes Lane

P.O. Box 6800

Piscataway, New Jersey 08855-6800

Attn: Contract Administration

REDACTED

Referred to as "J&JHCS"

Agreement Term: July 1, 2000 to April 1, 2004

JOHNSON & JOHNSON HEALTHCARE SYSTEMS INC.

Name: Bruce Cummins

Title: LTC Account Director

Date: Bruce Cummins 10/9/00

Name: Paul J. Kim

Title: Associate Manager, Account Development

Date: 10/11/00

OMNICARE, INC.

Name: Dan Maloney

Title: Director of Purchasing

Date: Dan Maloney 10/9/00

INTRODUCTION

Agreement J&JHCS shall pay Omnicare a "Service Fee" to partially defray the cost of designing, developing, and implementing the required processes to produce and deliver to J&JHCS Marketing Reports outlined herein.

Parties.

J&JHCS. is a New Jersey corporation and a wholly owned subsidiary of Johnson & Johnson, a New Jersey corporation.

Omnicare. is a Delaware corporation and an independent provider of professional pharmacy and related services for long term care institutions such as nursing homes, retirement centers, home healthcare and other institutional healthcare facilities.

PAYMENT TERMS

Service fees will be paid as follows: the first service fee payment of $450,000 will be paid to Omnicare 10 days after the execution of this agreement. This will apply to the fee for the first quarter of this Agreement. Beginning with the second quarter of this Agreement, the remaining service fees of $300,000 each will be paid within 30 days of the receipt of monthly and quarterly reports for each of the remaining quarters of this agreement, if such reports are electronic, received as described below (monthly or quarterly) and in a mutually acceptable format.

Quarterly reports are due 30 days after the end of each quarter. Monthly reports are due 30 days after the end of each month.

CONSULTING & SERVICES

Omnicare will provide the following Marketing Reports as described below:

A. ***Physician Prescribing Report by Strategic Brand*** – **[Quarterly]** This national report will list 200 competitive prescribing physicians for each J&J Strategic Brand (RISPERDAL® risperidone, DURAGESIC® fentanyl transdermal system, and ACIPHEX™ rabeprazole, LEVAQUIN TABS® levofloxacin, LEVAQUIN IV® levofloxacin, and ULTRAM® tramadol) and the preferred product of such physicians. This report will be provided by Omnicare's national clinical director.

B. ***Competitive Market Share Report by Pharmacy Site*** - **[Quarterly]** This report will list Days of Therapy (DOT) market shares at each Omnicare pharmacy site for the following J&J products and their relative competitive products as defined by their respective J&JHCS Defined Markets: Risperdal, Duragesic, Aciphex, Ultram, Levaquin and Levaquin IV.

C. ***Market Share Report by Pharmacy Site*** - **[Monthly]** This report will list DOT market shares at each Omnicare pharmacy site for the following J&J products as defined by their respective J&JHCS Defined Markets: Risperdal, Duragesic, Aciphex, Ultram and Levaquin.

Note that none of the above reports should be in a format which would allow any patient specific data to be extracted.

GENERAL TERMS AND CONDITIONS

1. ***Notices.*** Any notice given in connection with this Agreement shall be sufficient if in writing and delivered by messenger or sent by postage prepaid mail or by facsimile to the address of the recipient as set forth on the cover page to this Agreement or as changed by the recipient by notice given hereunder. Notices or communications shall be effective when received by or otherwise known to the recipient or its legal representative. This provision is not intended to be exclusive, and any notice actually received shall be sufficient.

2. ***Entire Agreement.*** This Agreement constitutes the entire agreement between the parties concerning the Products and subject matter hereof and supersedes all prior negotiations, agreements and

understandings between the parties, whether oral or in writing, concerning the Products and subject matter hereof. This Agreement may be modified only in writing signed by both parties. The terms of any purchase order, invoice or similar document used to implement this Agreement shall not modify and shall be subject to this Agreement.

3. ***Assignment.*** Neither party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party. For purposes of this paragraph assignment shall include any assignment by operation of law and any change in control of a party.

4. ***Independent Contractors.*** The parties hereto are independent contractors engaged in the operation of their own respective businesses. Nothing herein shall be deemed or construed to create any other relationship between the parties.

5. ***Term.*** The term of this Agreement is set forth on the cover page hereof. Either party may terminate this Agreement earlier by giving 30 days' notice to the other party pursuant to the provisions of Paragraph 2 of the General Terms and Conditions section of the Agreement. The provisions of these General Terms and Conditions shall survive termination of this Agreement.

6. ***Audit*** J&JHCS shall have the right to audit all records of Omnicare relating to Omnicare's performance of services pursuant to this Agreement.

7. ***Force Majeure.*** Noncompliance with any obligation under this Agreement for reasons of force majeure (such as: acts, regulations or laws of any government; war or civil commotion; destruction of production facilities or materials; fire, earthquake or storm; labor disturbances; failure of public utilities or common carriers; and any other causes beyond the reasonable control of the party affected) shall not constitute a breach of this Agreement.

8. ***Dispute Resolution.*** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitration shall be held in New Jersey and the arbitrator shall apply the substantive law of New Jersey, except that the interpretation and enforcement of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator shall not award any party punitive or exemplary multiplied consequential damages, and each party hereby irrevocably waives any right to seek such damages in arbitration or in judicial proceedings.

9. ***Execution***. This Agreement will not be considered valid until all required signatures as indicated on the Cover Page have been affixed.

10. ***Renegotiations Clause.*** The parties shall renegotiate the continuance of this Agreement upon mutual consent.

JOHNSON & JOHNSON HEALTH CARE SYSTEMS INC.
AMENDMENT TO SUPPLY AGREEMENT

CUSTOMER	SUPPLIER
Omnicare, Inc. 100 East Rivercenter Blvd., Suite 1600 Covington, KY 41011 Phone No: REDACTED Fax No: Attn: Dan Maloney Contract Effective Date: 4/1/99	Johnson & Johnson Health Care Systems Inc. 425 Hoes Lane Piscataway, New Jersey 08855-6800 Phone No.: REDACTED Fax No.: Attn: Contract Administration Contract End Date: 3/31/04
Supplier will complete the information below upon final execution of this Agreement. The Effective Date will be the earlier of first or fifteenth day of the calendar month occurring not less than 50 days after final execution by Supplier.	
Amendment Effective Date: 10/1/00	Supplier's Contract No.: HCS0068

The above-referenced Agreement is amended as follows:

1. The Risperdal Performance Rebate Matrix will be replaced with the following:

Product		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
RISPERDAL®	Actual DOT Market Share	<50%	50%	62%	73%	
	Rebate %	0.0%	15%	15.5%	16.0%	

2. The Duragesic Performance Rebate Matrix will be replaced with the following:

Product		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
DURAGESIC®	Actual DOT Market Share	<53%	53%	60%	65%	
	Rebate %	0.0%	6.0%	8.0%	10.0%	

3. The following matrices will be added to the Performance Rebate Matrix:

Product		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
SPORANOX®	Actual DOT Market Share	Formulary Access				
	Rebate %	25.0%				

Product		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Nizoral®	Actual DOT Market Share	Formulary Access				
	Rebate %	10.0%				

4. Paragraph 5. a) i) of the Administrative Terms and Conditions section shall be replaced with the following:

   i) An Annual Product Performance Incentive of 2% shall be earned on total contracted sales of Products described in Exhibit A, with the exception of Risperdal®, Levaquin® and Procrit®. This Annual Product Performance Incentive shall be in addition to any quarterly rebate earned as per the "Performance Measurement and Performance Rebate Matrix". It shall be paid in accordance of Article 6 "Rebate Policies" once Supplier has evaluated Manager's satisfaction of meeting the performance criteria described in "Schedule of Qualifying Interventions". The performance requirements will be determined by both parties, during the quarter preceding the anniversary date of this Agreement for the next Contract Year. The performance shall be evaluated in aggregate at the end of each Contract Year.

5. Paragraph 5. b) of the Administrative Terms and Conditions section shall be replaced with the following:

   b) **Best Price**

   i. If at any time during the term of this Agreement the Manager is eligible to receive a discount or rebate, directly or indirectly, for any Product under any contract with Supplier, the combined total of such discount(s) and/or rebate(s) shall be reduced to the extent necessary so that it does not create a new Medicaid "best price" for any Product. In the event the combined total of such discount(s) and/or rebate(s) would create a new "best price" a price adjustment shall be made. The Price adjustment shall be implemented within 45 days after the close of the quarter in which the Best Price threshold was exceeded, to reduce the discount and/or Rebate on each affected Product code to the amount one-tenth of a percent (.1%) below that which would set a new Best Price, both retroactively and prospectively.

   ii. The price adjustment shall be implemented retroactively
      a) by a deduction from any amounts owed to Customer by Supplier under this Agreement
         or
      b) upon notice from Supplier to Customer of the amount of the price adjustment owed, in the form of a check payable to Johnson & Johnson.

   iii. The price adjustment may also be implemented prospectively by adjusting the Net Sales price for each Product code.

   iv. Example: assume that a discount greater than fifteen percent (15%) will set a new Best Price and that the Price of a Product code in effect at the time of sale is $100.00; the discount may not be greater than $14.90. If the Net Sales per Product price were $80.00 a Price Adjustment would be made and the new Net Sales per Product would be $85.10

This Amendment does not supersede, eliminate or change any part of the above-referenced Agreement except as specifically stated herein. All other Terms and Conditions of the above-referenced Agreement shall remain intact.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorized officers or representatives.

SUPPLIER	CUSTOMER
Bruce Cummins 10/9/00 Bruce Cummins Date Director, Long Term Group	10/9/00 Dan Maloney Date Director of Purchasing
10/11/00 Paul J. Kim Date Associate Manager, Account Development	

From: Cummins, Bruce [JAN]
Sent: Tuesday, September 16, 2003 5:21 PM
To: Chartier, Charles A. [JANUS]
Subject: RE: Physician Lists Obtained from Omnicare Sites

Chuck,

Here's the lists I was able to generate through ElderCare.

Spreadsheet to Collect Physici...

Bruce

-----Original Message-----
From: Chartier, Charles A. [JANUS]
Sent: Wednesday, September 10, 2003 9:58 AM
To: Zavasky, Thomas [JAN]; Malloy, James [JAN]; Shellem, Joe [JAN]; Prince, Craig [JANUS]; Lerman, Tom [JAN]; Sherrill, Denny [JAN]; Green, Nesbut [JANUS]; Kaneriya, Haresh [JAN]; Bradley, Howard M. [JAN]; Miller, Michael R. [JANUS]; Morris, Blaine [JAN]; Cummins, Bruce [JAN]; DeFlorio, MaryJo [JANUS]; Osbon, Carey [JANUS]; Lawrence, Matthew [JAN]; Cooper, Susan [JAN]; Latta, John [JAN]; Meyer, Dean [JANUS]; Dass, Rajiv [JANUS]; Schwans, Roxanne [JAN]; Wilhelm, Mark [OMP]
Cc: Butler, Dave [JANUS]; Farley, Brett [JAN]; Bender, Philip [JAN]; Taylor, Cathie [JANUS]
Subject: Physician Lists Obtained from Omnicare Sites
Importance: High

Managers and Directors,

I am in need of your assistance. As you are well aware, the Health Care Compliance regulated environment in which we work has numerous regulations with which we must comply to continue to seel our products. It has come to our attention that we need to be able to document that we are in compliance with all agreements we have written. As you know, we have a Consulting and Services Agreement with Omnicare that provides for the monthly data we receive. Part of that same agreement includes a requirement for Omnicare to provide quarterly lists of high prescribers of competitive products against our strategic brands.

Here is where I need your assistance. In order to demonstrate that we do receive this physician information, I need you to provide me with any lists you have received over the course of this year that have been provided by your Omnicare sites. While, I recognize that these are often gained randomly, we need to collect everything we have received this year to demonstrate that we indeed are receiving these names, just not from corporate and not on a regular interval, i.e., quarterly.

So, scour your files for these lists. I know some are written on scratch pads and other "unofficial" materials. I need you to send me a copy of the list if it is hard copy. If it is e-mail or in a form that cannot be copied, please enter it on the attached spreadsheet under the appropriate product. I appreciate your help in pulling this data together. If you have any questions in regard to this request, give me a call. **I need to have all this information by Tuesday, September 16, 2003.** Thanks for your help.

Chuck << File: Spreadsheet to Collect Physician Data.xls >>

Chuck Chartier
Long -Term Care Account Director
REDACTED
cchartie1@janus.jnj.com

Unknown

From: Chartier, Charles A. [JANUS]
Sent: Friday, October 31, 2003 12:33 PM
To: Ferry, Shawn [OMP]; Thurmond, Tracey [OMP]
Cc: Farley, Brett [JAN]; Lawrence, Matthew [JAN]; DeFlorio, MaryJo [JANUS]
Subject: RE: Omnicare Top OAB Sites

Shawn & Tracey,
I have taken a shot at which LTC business manager/director covers these locations. I was not certain about the Illinois locations as well as the location on OK. I am sure on the othr ones. The phyician information is best obtained through the LTC manager/director. As the accounts are called on, that information may be shared by the pharmacy. Keep in mind that this is generally not information they share willingly, we will have to approach the subjsect carefully and on an account by account basis.

Chuck

-----Original Message-----
From: Ferry, Shawn [OMP]
Sent: Friday, October 31, 2003 12:21 PM
To: Chartier, Charles A. [JANUS]; Thurmond, Tracey [OMP]
Cc: Farley, Brett [JAN]; Lawrence, Matthew [JAN]; DeFlorio, MaryJo [JANUS]
Subject: RE: Omnicare Top OAB Sites

Chuck & Tracey,

I'd like to forward this to each of our FSD's to put these facilities on their radar screens. At the same time, I'd like to also provide them with who the contact person would be in your groups that they should think about working with to drive business in these accounts.

Can you provide that information?

Second, do we know who the big physician writers are for these facilities, so that the reps and managers know who to target or to at least mention geriatrics and our status to? If so, that would be a very useful piece of information.

Shawn

-----Original Message-----
From: Chartier, Charles A. [JANUS]
Sent: Monday, October 20, 2003 10:48 AM
To: Ferry, Shawn [OMP]; Thurmond, Tracey [OMP]
Cc: Farley, Brett [JAN]; Lawrence, Matthew [JAN]; DeFlorio, MaryJo [JANUS]
Subject: FW: Omnicare Top OAB Sites

Shawn & Tracey,
Per your request, here are the addresses for the top OAB sites at Omnicare. The volume is listed to the right of the address in RXs per month on average.

1. Specialized Pharmacy Services 2000 MarytJo Deflorio
   33510 Schoolcraft Road
   Livonia, MI 48150

2. Omnicare of Perrysburg (Northwest Ohio) 1500 Chuck Chartier
   7643 Ponderosa Road
   Perrysburg, Ohio 48551

3. Value Health Care 1200 Tom Zavasky
   525 Knotter Drive
   Cheshire, CT 06410

4. Omnicare of Wadsworth 1360 Reimer Road Wadsworth, OH 44281	1000		Chuck Chartier
5. Jacobs Health Care System 2313 S. Mount Prospect Road Des Plaines, IL 60018	900		Matt Lawrence
6. Roeschen's Intermed 3402 Douglas Avenue Racine, WI 53402	800		MaryJo Deflorio
7. Enloe PCI Prescription Center 885 Schneider Road South Elgin, IL 60177		700	Matt Lawrence
8. Enloe PCI Prescription Center 2305 West Altorfer Road Peoria, IL 61614		600	Bruce Cummins
9. Interlock Pharmacy 355 Dunn Road Florissant, MO 63031	600		Bruce Cummins
10. Sequoia Health Services 4500 North Cooper Oklahoma City, OK 73118	570		Bruce Cummins
11. PRN Pharmaceuticals Services Inc 8351 W. Rockville Road Indianapolis, IN 46234	550		Blaine Morris
12. Home Care Pharmacy 5549 Spellmire Drive Cincinnati, OH 45246	500		Blaine Morris
13. Enloe Drugs Inc. 1811 South Taylor Road Decatur, IL 62521	500		MaryJo Deflorio
14. Home Pharmacy Services 1520 Mascoutah Avenue Belleville, IL 62220	500		Bruce Cummins

I hope this is helpful in allowing you to better target these high volume sites. Let me know if I can be of any further service.

Chuck

Chuck Chartier
Long -Term Care Account Director
REDACTED
ccharti1@janus.jnj.com

-----Orginal Message-----
From: Farley, Brett [JAN]
Sent: Monday, October 20, 2003 9:50 AM
To: Chartier, Charles A. [JANUS]

Subject: FW: Omnicare Top OAB Sites

Chuck, let's use Shawn and Tracey to support this. Please provide the needed information to both of them to help us drive business. Regards-Brett

Brett J. Farley
Region Business Director
Central Region
Long Term Care Group
REDACTED

EM - bfarley2@ibius.jnj.com

-----Original Message-----
From: Ferry, Shawn [OMP]
Sent: Monday, October 20, 2003 9:20 AM
To: Farley, Brett [JAN]
Subject: RE: Omnicare Top OAB Sites

Brett,

If you can provide more detail on the pharmacy sites, such as addresses, I can forward to the appropriate FSD's and RBD's which may spark more openess for pull-through.

Shawn

-----Original Message-----
From: Farley, Brett [JAN]
Sent: Friday, October 17, 2003 12:13 PM
To: Ferry, Shawn [OMP]; Thurmond, Tracey [OMP]; Forsthoefel, Tim [OMP]
Cc: Chartier, Charles A. [JANUS]; Lawrence, Matthew [JAN]; DeFlorio, MaryJo [JANUS]
Subject: FW: Omnicare Top OAB Sites

To all,
Chuck Chartier has put together a list of top OAB pharmacies for Omnicare. Tracey, we need your help in putting pull through plans in place to drive share at these key sites.
Any activity we undertake with OCR should be directed at these high volume sites. Tracey can you coordinate with Chuck/Matt for pull through? Regards-Brett

Brett J. Farley
Region Business Director
Central Region
Long Term Care Group
REDACTED

EM - bfarley2@ibius.jnj.com

-----Original Message-----
From: Chartier, Charles A. [JANUS]
Sent: Thursday, October 16, 2003 2:12 PM
To: Farley, Brett [JAN]

Subject: Omnicare Top OAB Sites

Brett,
Per our discussion yesterday here are the top 14 sites for Omnicare according to volume as reported on the monthly market share reports. I have written to rounded prescription volume per month beside the account.

Omnicare Site	Prescriptions per Month
Specialized	2000
OCR of Perrysburg	1500
Value Health Care	1200
OCR of Wadsworth	1000
Jacobs/Law Weber	900
Roeschen's	800
Enloe S. Elgin	700
Enloe Peoria	600
Interlock Florissant	600
Sequoia	570
PRN	550
Home Care Cinti	500
Enloe Decatur	500
Home	500

I hope this is helpful information. If we can drive the OAB business at these locations, we will move the aggregate share up nicely.

Chuck

Consulting and Services Agreement
Payment Schedule

Quarter	Amount ($K)	Subtotals
3q00	450	
4q00	300	750
1q01	300	
2q01	300	
3q01	300	
4q01	300	1,200
1q02	300	
2q02	300	
3q02	300	
4q02	300	1,200
1q03	300	
2q03	300	
3q03	300	
4q03	300	1,200
1q04	300	300
	4,650	4,650

Johnson & Johnson
HEALTH CARE SYSTEMS

May 21, 2001

Mr. Dan Maloney
Purchasing Manager
Omnicare Inc.
100 East River Center Blvd
Suite 1500
Covington, KY 41011

Re: Consulting and Services Agreement
Marketing Fee

Dear Mr. Maloney:

Johnson & Johnson Health Care Systems Inc. is pleased to inform Omnicare, Inc. that a marketing fee check for $300,000 will be sent under separate over. This represents the 1Q01 service fee payment to Omnicare for the Consulting and Services Agreement.

Please be advised that some or all of this amount may be considered a Discount which Omnicare may have an obligation to reflect in any cost report or claim for reimbursement filed with Medicare/Medicaid or other third-party payer.

If you have any questions regarding this payment, please do not hesitate to call me at REDACTED. On behalf of J&JHCS, thank you for your support of Johnson & Johnson products. We look forward to continuing this good relationship in the future.

Sincerely,

Karen Zito
Senior Contract Analyst

cc: B. Cummins

Johnson & Johnson
HEALTH CARE SYSTEMS

November 19, 2001

Mr. Dan Maloney
Purchasing Manager
Omnicare Inc.
100 East River Center Blvd
Suite 1500
Covington, KY 41011

Re: Consulting and Services Agreement
Marketing Fee

Dear Mr. Maloney:

Johnson & Johnson Health Care Systems Inc. is pleased to inform Omnicare, Inc. that a marketing fee check for $300,000 will be sent under separate over. This represents the 3Q01 service fee payment to Omnicare for the Consulting and Services Agreement.

Please be advised that some or all of this amount may be considered a Discount which Omnicare may have an obligation to reflect in any cost report or claim for reimbursement filed with Medicare/Medicaid or other third-party payer.

If you have any questions regarding this payment, please do not hesitate to call me at REDACTED. On behalf of J&JHCS, thank you for your support of Johnson & Johnson products. We look forward to continuing this good relationship in the future.

Sincerely,

Barbara Hawkins
Payment Analyst

cc: B. Cummins

Johnson & Johnson
HEALTH CARE SYSTEMS

August 15, 2003

Mr. Dan Maloney
Purchasing Manager
Omnicare Inc.
100 East River Center Blvd
Suite 1500
Covington, KY 41011

Re: Consulting and Services Agreement
Marketing Fee

Dear Mr. Maloney:

Johnson & Johnson Health Care Systems Inc. is pleased to inform Omnicare, Inc. that a marketing fee check for $300,000 will be sent under separate over. This represents the 2nd quarter 2003 service fee payment to Omnicare for the Consulting and Services Agreement.

Please be advised that some or all of this amount may be considered a discount which Omnicare may have an obligation to reflect in any cost report or claim for reimbursement filed with Medicare/Medicaid or other third-party payer.

If you have any questions regarding this payment, please do not hesitate to call me at REDACTED. On behalf of JJHCS, thank you for your support of Johnson & Johnson products. We look forward to continuing this good relationship in the future.

Sincerely,

Karen Zito
LTC Analyst
Contract Strategy & Management

cc: C. Chartier
B. Farley

Omnicare, Inc.

Date: January 22, 1999

Prepared by:

Bruce Cummins
Long Term Care Business Group, Account Director

Matt Lawrence
Long Term Care Business Group, Business Manager

Table Of Contents

I. Executive Summary

Omnicare, Inc. is the largest independent provider of professional pharmacy and related services for long term care initiatives such as nursing homes, retirement centers, and other institutional facilities. Omnicare services over 715,000 residents in 8,600 facilities across the United States. This represents over 100 pharmacy locations and 30% of the long-term care market. Omnicare is headquartered in Covington, Ky. On December 8, 2001 Omnicare announced their most recent acquistion of American Pharmaceutical Services which generated an additional 60,000 beds.

Omnicare's growth over the past 4 years has been approximately 30%, exceeding the rate of the consolidating post-acute care market. Omnicare currently represents 40% of the market. It represented 28% in 2000, 1999, and 1998, 24% in 1997, 20% in 1996, 14% of the market in 1995, and 9% of the market in 1994.

The latest major acquisition, announced in December, 2001, was American Pharmaceutical Services based in Atlanta, Georgia. was one of the nation's largest privately owned pharmacy providers servicing more than 70,000 residents in 28 states.

Despite its growth trend of acquiring independent pharmacies, Omnicare has quickly taken control of its business units' purchasing functions. Omnicare has a strict corporate policy of compliance with therapeutic substitution, interchange, and dispensing of Omnicare Select products. It is through this venue that Omnicare is able to move market share of selected products.

Current Business Situation
Business Overview
Omnicare is traded on the New York Stock Exchange under the symbol OCR. Annual revenues are in excess of 2.0 billion dollars. In January of 2002 the stock was trading at $23 dollars per share after seeing lows down to $10 a share in 2001 based primarily on issues surrounding Medicaid reimbursement and Prospective Payment in nursing homes serviced. The stock currently is on the S&P Mid Cap 400.

In the third quarter of 2001 the Company reported operating earning rose 39% to 25 cents per share. Cash flow from operations were at an all-time record high of $ 60.2 million dollars. Joel F. Gemunder, President of Omnicare, explained, "As evidence of our continued progress, this period marked our fifth consecutive quarter of sequential, as well as year-over-year, growth. Our strength in the geriatric pharmaceutical marketplace, our substantially lowered cost structure and our overall financial health, along with stabilized and improving market conditions, combine to produce this favorable performance. Johnson &Johnson has been the leading supplier of pharmaceuticals to Omnicare for the past 5 years.. J&J sales in pharmaceuticals to Omnicare in 2001 were woth $200 million.

Acquisitions
Omnicare looks to acquire pharmacies that are competitive in local markets and that are geographically

positioned to increase market share in a given area.

Once Omnicare acquires a site, it strives to increase the efficiency of pharmacy operations by consolidating functions, increasing beds serviced utilizing the company's National Sales and Marketing

Force, and increasing each pharmacy's ability to compete in the changing environment by increasing information system capabilities, and product mix offerings.

The acquisition program reached a record level of activity in the third quarter of 1997, highlighted by the addition of American Medserve Corporation, which marked Omnicare's entry into six new states, added major operations to two states which they had only a nominal presence and significantly broadened the network of existing pharmacies in three other states. In addition, they acquired institutional pharmacy providers in Texas and Utah, both of which represent new markets for Omnicare, and expanded the operations in New York and Illinois through acquisitions. These transactions, combined with internal growth generated by National Sales and Marketing Group and the pharmacy staff, brought the number of nursing facitility residents served at January 1, 2002 to 705,000, up 12% over the number served one year ago. .

Formulary/Clinical Interventional Programs

Omnicare's formulary plays a large part in both increasing the profitability of Omnicare, and offering service to post-acute care facilities. Omnicare subscribes to the theory that pharmaceuticals remain the most cost-effective means of treating most chronic ailments in the elderly. Omnicare has developed the first clinically based drug formulary tailored to the unique needs of the elderly. During 2001 Omnicare released the ninth edition of its "Geriatric Pharmaceutical Care Guidelines." Omnicare utilizes the Philadelphia College of Pharmacy, noted for its expertise in long-term care, to rate over 1000 drugs in 100 therapeutic classes as clinically Preferred, Acceptable, or Unacceptable.

Omnicare then considers the Advanced Concepts clinical recommendation, along with the cost of the drug to the payer and acquisition drug cost to Omnicare, to determine the drugs for which it implements therapeutic interchange, substitution, and disease state management programs. Omnicare's goal is to increase the clinical effectiveness, decrease the drug-related side effects, and decrease the cost to the payer, while increasing the profitability of Omnicare pharmacies.

Omnicare has over 800 consultant pharmacists who review patient charts monthly and make recommendations based on the formulary and Omnicare programs for physicians. Pharmacists' recommendations are accepted more than 80% of the time. Consultant pharmacists actively meet with physicians or correspond with them through the mail to obtain approval to make appropriate medication switches for all their applicable nursing home patients. Pharmacists are also responsible for in-servicing the nursing staffs on pharmaceutical and patient care. Omnicare consultant pharmacists receive monthly "report cards" showing them their success in obtaining goals for therapeutic programs. Thus, Omnicare is able to drive market shares on products that increase clinical effectiveness, decrease costs to the systems in which they operate, and increase profits to Omnicare.

Long Term Care

*Coordinating*RESOURCES
FOR LONG-TERM CARE

Managed Care

Omnicare's vision is to be the leader in geriatric care, not only long-term care as managed care enters into this market place. Omnicare has positioned itself very well to be competitive by increasing its market share in regional markets, increasing its information system capabilities and outcomes data, to be a source of valuable information in managed care and vertical integration in the post-acute care market, and increasing operating efficiencies.

Omnicare has over 57% market share in every market it is involved in, thus making itself a strong enough player that, as managed care enters into this segment, it hopes to be in contention for the LTC business.

Also, Omnicare has data on over 300,000 geriatric patients, giving it the leverage of being the Pharmacy Benefits Manager (PBM) for the geriatric population, which utilizes over 60% of all prescription drugs. Omnicare and other consultant pharmacists are positioning themselves to be not only a provider of drugs for LTC, but also a provider of information on cost-effective outcomes for the geriatric population. Omnicare's large number of geriatric patients gives the company an advantage over other pharmacy organizations in this area. Omnicare has also invested in computer systems to manage this data, and has acquired Coromed and IBAH have formed Omnicare CRO's two Contract research organizations (CROs), to help with facilitating outcomes research and managing data.

Coromed, headquartered in Troy, New York, provides comprehensive clinical drug development and research services to the pharmaceutical, biotechnology and medical device industries. Coromed's clinical drug development services includes Phases I - IV clinical trials management, biostatistics, medical writing, medical and regulatory affairs consulting, systems development, and quality assurance and compliance. It also has extensive capabilities in drug research services, which include biological research (safety and efficacy) and chemical synthesis.

IBAH, Inc., headquartered in Blue Bell, Pennsylvania is a worldwide leader in providing comprehensive product development services to client companies in the pharmaceutical, biotechnology, medical device and diagnostics industries. As the fifth largest CRO, IBAH offers services for all stages of drug development , Helping client companies to accelerate products from discovery through development and commerialization more rapidly and cost-effectively. Based on revenues reported for the quarter ended March 31, 1998, IBAH,s annualized revenues are approximately $107 million.

In addition, Omnicare is well positioned to excel in managed care because revenues per bed are 17% less than their competitors, and operating profits are 51% higher.

Omnicare is also branching beyond long-term care pharmacies and acquiring other types of post-acute care facilities to position itself for managed care. The company's vision is to work with acute care discharge case workers and be able to provide a variety of services at a variety of sites in the post-acute market. It is currently the fifth largest home infusion company in the country. Omnicare is expanding is current pharmacies to branch into home healthcare. Omnicare is also looking for other opportunities, such as dialysis units.

Corporate Philosophy

Omnicare's operating philosophy is to: 1) Focus on what it knows best—pharmaceutical care education; 2) Leverage its expertise in the geriatric population; 3) Build alliances with strategic pharmaceutical companies; and 4) Become known as a large source for outcomes-driven data in geriatrics.

Strengths/Leverages/Vulnerability

Strengths:

- The Strength of our product line in LTC makes J&J Omnicare's leading vendor. Currently, Risperdal®, Levaquin®, Duragesic®, and Ultram® are in its top 20 drugs dispensed. Risperdal® is Omnicare's preferred typical antipsychotic for dementia. Levaquin is "preferred" in the anti-infective market. All other J&J products are Acceptable..

- The diversity and breadth of J&J positions us to be a resource to Omnicare beyond the portfolio of products we represent.

- J&J has signed a five year performance based contract with Omnicare which provides rebate incentives to Omnicare to advocate appropriate use of J&J products. (May 1, 1999)

Leverages:

- Omnicare has developed a Patient Specific Therapeutic Interchange (P.S.T.I.) program for Risperdal®. The consultants are evaluated on their monthly report cards as to the success they are having with this P.S.T. I. The Long Term Care Business Managers (LTCBM's) are working with regional Omnicare sites to support this intervention, Through September of 2001, national Risperdal Market Share for Omnicare was at 56.94%

- Omnicare has voiced a strong interest in switching all Darvocet® business to another analgesic. Consultants are also measured on their report cards as to the amount of propoxyphene being written in their homes. Ultram® is one choice.

- Omnicare has began its first prospective intervention with Levaquin during February of 1999. The overall goal of this program was to achieve a market share of over 60% in the quinolone market. Cipro had been the main anti-biotic of choice generating over 70% of the market (UTI) At the end of October, 2001, Levaquin national share for Omnicare was 71.7%.

- Pain is categorized in the formulary as one disease state—Chronic Pain (non-malignant). Pain has become a big issue in long-term care with the MDS 2.0, state regulations, and national events surrounding pain. During the first six months of 1999, Omnicare embarked on a National Pain Initiative that featured Terry Baumann, a Pharm D from Traverse City, MI., discussing alternative methods of treating pain to 15 Regional Pharmacy Sites. .

- Increasing home infusion business will increase opportunity for Procrit® and the awareness of fatique in the nursing home patient.

Vulnerability:
This account represents $200 million worth of sales on an annual basis. All of our products have competition that could replace at least a portion of this business. Risperdal® is currently 60% of our Eli Lilly has also been very active in the long-term care market for the past 5 years and has secured

preferred formulary status in the most current formulary edition at PCPS.
sales with Omnicare.

2001 KEY ACTION STEPS

Initiative	Estimated Start/Completion	Responsibility
Pull Through Risperdal® P.S.T.I.	Ongoing	LTCBM's/Eldercare
Levaquin® Prospective Intervention	Ongoing	LTCBM's/OMP

Large Account Management Process

Ultracet Education at Pharmacy Sites	1st Quarter - 2002	LTCBM's/OMP
Reminyl® Educational/Contractual Programs	Ongoing	LTCBM's/OMP
Ditropan Educational Contractual Programs	1st – 2nd Quarter - 2002	LTCBM's/OMP

II. Charter Statement (Who, What & Why)

Johnson & Johnson supplies high-quality products and jointly created clinical and business programs that aid Omnicare in meeting corporate goals and objectives.

III. Customer's Business Situation Appraisal

Customer Business Situation

Omnicare, Inc. is the leading independent provider of professional pharmacy and related consulting services for long-term care facilities, such as nursing homes, retirement centers, and other institutional healthcare facilities. Omnicare, Inc. was established in the institutional pharmacy business in December 1988 as a merger of four pharmacies in the Midwest. Acquisition has played an important role in Omnicare's success, as the company now owns 120 locations in 43 states, concentrated in the Midwest, Northeast, and Pacific Northwest regions of the United States. Omnicare today serves 704,000 residents in 8,600 long-term care facilities across the United States. This represents 40% of the total LTC beds at year end 2001. In 1995 Omnicare serviced 14% of the nation's long-term care residents, up from 9% in 1994.

A. Organizational Structure

Board of Directors

Edwin L. Hutton
Chairman of Omnicare, Inc.;
Chairman and Chief Executive
Officer of Chemed Corporation

Joel F. Gemunder
President and Chief Executive Officer of Omnicare, Inc.

Timothy E. Bien
Senior Vice President – Professional Services and Purchasing of Omnicare, Inc.

Charles H. Erhart, Jr.
Former President of W.R. Grace & Co. (retired)

David W. Froesel, Jr.
Senior Vice President and Chief Financial Officer of Omnicare, Inc.

Cheryl D. Hodges
Senior Vice President and Secretary of Omnicare, Inc.

Patrick E. Keefe
Executive Vice President – Operations of Omnicare, Inc.

Sandra E. Laney
Senior Vice President and Chief Administrative Officer of Chemed Corporation

Andrea R. Lindell, DNSC, RN
Dean and Professor in the College of Nursing and Associate
Senior Vice President for Interdisciplinary Education
Programs/Medical Services

Kevin J. McNamara

President of Chemed Corporation

John H. Timoney
Former Senior Vice President of Applied Bioscience International, Inc. (retired)

CORPORATE OFFICERS

Edward L. Hutton
Chairman

Joel F. Gemunder
President and Chief Executive Officer

Patrick E. Keefe
Executive Vice President – Operations

Timothy E. Bien, R. Ph., FASCP*
Senior Vice President – Professional Services and Purchasing

David W. Frossel, Jr.
Sennior Vice President and Chief Financial Officer

Cheryl D. Hodges
Senior Vice President and Secretary

Robert E. Dries
Vice President – Internal Audit

W. Gary Erwin, Pharm . D., FASCP*
Vice President – Health Systems Programs and
President – Omnicare Senior Health Outcomes

Tracey Finn
Vice President – Strategic Planning and Development

Catherine I. Greany
Vice President – Mergers and Acquistions

D. Micheal Laney
Vice President and General Counsel

Thomas W. Ludeke
Vice President and President of Accu-Med Services, Inc.

Thomas R. Marsh
Vice President – Financial Services and Treasurer

David Morra

Vice President – Financial Services and Treasurer

Regis T. Robbins
Vice President – Analysis and Controls

Bradley S. Abbott
Corporate Controller

William A. Fitzpatrick, R.Ph., FASCP*
Corporate Compliance Officer

The President of Omnicare, Inc. is Joel Gemunder. Reporting to Joel are:

Patrick Keefe, Executive Vice President of Operations. Pat has overall responsibility for the operations of Omnicare and all regional facilities. Reporting to Pat are eight regional vice presidents and all other corporate vice presidents. One of the vice presidents reporting to Pat is Dennis Holmes, Vice President - Operations Group. He oversees all Heartland operations to include the repackaging facility.

Cheryl Hodges, Senior Vice President of Investor Relations. Cheryl's responsibilities include all dealings with financial institutions to include Wall Street, all corporate relations, and shareholder relations.

Tim Bien RPh, Senior Vice President of Purchasing and Professional Services. Tim oversees all purchasing and contractual agreements. Dan Maloney, Director of Purchasing, reports directly to Tim. Mark Lehman, PharmD, and Gary Erwin, PharmD report to Tim and handle all clinical matters as Directors of Clinical Services.

Dan Maloney, Vice President of Purchasing, has responsibility for organizing the contractual and purchasing agreements that Omnicare has with various manufacturers and all purchasing functions. Each of the Omnicare regions is in the process of hiring a regional purchasing manager, who will report to Dan.

Mark Lehman, Director of Clinical Services, has responsibilities for the coordination of the formulary, disease state management programs, and other clinical intervention programs. Mark heads three committees within Omnicare: the PSC Formulary Champions, the Professional Services Committee, and the National P&T Committee. The PSC Formulary Champions, which is a group of one consultant from each location, are charged with assisting the consultants at their regional location in achieving compliance of the formulary and intervention programs in the homes they service. The PSC Formulary Champions receive "report cards" on each pharmacist to gauge their success. The Professional Services Committee, comprised of 15 pharmacists, is responsible for the creation and implementation policy and procedures from a clinical and operational perspective. Mark also heads the National P&T Committee, made up of three physicians, three directors of nursing, three pharmacists, and a representative from the Philadelphia College of Pharmacy. Lisa Welford is Mark's assistant and implaments many of the activities associated with a product intervention.

W. Gary Erwin President Health Systems Programs Gary's responsibilities will be to work with managed care organizations, employer groups and insurers to position Omnicare as the provider for their geriatric care. In addition, Gary will be involved with the Coromed acquisition.

David Froesel, Senior Vice President and Chief Financial Officer. David is in charge of all operating

financial data.

Omnicare organizes the company's pharmacies into ten regions. Each region is led by a regional vice president reporting to Pat Keefe; Pat is responsible for overseeing the operational functions in the region, and growing the sales and profitability of the region.

OPERATING MANAGEMENT

Vice Presidents – Pharmacy Operations Group:

James E. Cialdini

Denis R. Holmes

Senior Regional Vice Presidents

Greg W. Kadlec, R. Ph., FASCP*
Great Lakes/Great Plains Region

Jeffery M. Stamps, R.Ph., FASCP*
Mideast/Mid-Atlantic/New England Regions

Regional Vice Presidents – Pharmacy Operations

Joseph L. Dupuy, R.Ph., FASCP*
Southern Region

A. Samuel Enloe, R.Ph.
Midwest/Gateway Region

Carl E. Wood, Jr. , R. Ph.
Northwest Region

Owen E. Wood, R.Ph., FASCP*
Superior Care Program

Omnicare Clinical Research

David Morra
Chief Executive Officer

Dale B. Evans, PH.D.
President – Global Business Development

Kenneth M. Feld, Ph.D.
President – Pharmaceutics

Benoit Martin
President – International

Leonard F. Stiglano
President – Global Operations

Omnicare Senior Health Outcomes

W. Gary Erwin, Pharm. ., FASCP*
President

Data Management Group

Thomas W. Ludeke
President, Accu-Med Services, Inc.

Clinical

Mark Lehman
Director of Clinical Services

Lisa Welford
Assistant Director of Clinical Serivces

Reporting to Lisa are five Regional Clinical Directors:

Joseph Gruber	Alan Mason	Terry O'Shea	Susan Klem	Susan Burton
Interlock Pharmacy	Sequoia Health Services	Beeber Pharmacy	Specialized Pharmacy.	
States include Kansas, Missouri, Illinois.	States include: Oklahoma, Louisana, Alabama, Kentucky, All states west of Nebraska	States include Ohio, Indiana,	States include Ohio, Pennsylvania, and Michigan	States Include, Florida, Massachusetts, New York, New Jersey

Long Term Care

CoordinatingRESOURCES FOR LONG-TERM CARE

B. P&L Performance

During 1998:

Net income rose 63% to $80.4 million.
Earnings per share grew to 90 cents.
Sales grew 68% to $1.5 billion.
The number of nursing homes serviced grew 570,000.
Omnicare completed 17 acquisitions. This entered them into two new states (Wisconsin and New Jersey) and strengthened their position in the Northeast, Northwest, and Midwest.

C. Market Forces

Omnicare has invested its resources in positioning itself for the future of the post-acute market. The company's investment in acquisitions, formulary management, managed care, information systems, and disease and outcomes management is a portion of why Omnicare feels it will be successful in the future. The above areas are discussed in detail below.

Long Term Care

*Coordinating*RESOURCES
FOR LONG-TERM CARE

1. Acquisitions

Acquisitions have been the thrust of Omnicare's efforts for the past 18 to 24 months. Omnicare looks to acquire pharmacies that have been successful in their current markets and that will help the company achieve at least a 35% market share in a given geography. Omnicare is looking to have a hold on its locations to be competitive when managed care enters this market segment. Currently, Omnicare has surpassed this goal and has a 57% share in the areas it services.

Omnicare is in an extremely competitive market, competing with NCS and PharMerica. for pharmacy acquisitions. These acquisitions are capital intensive, as market price for a 1,000-bed pharmacy is approximately $1 to $2 million. Omnicare's philosophy is to pursue acquisitions that allow the company to gain strength in new geographic markets.

When Omnicare acquires pharmacies, the previous owner and/or upper level manager agrees to stay for at least 3 years to keep continuity with the staff and customers. The company is proud of its track record in past-owner retention, as over 95% of past owners stay past the 3-year commitment despite having sold the pharmacy for millions of dollars.

Once acquired, Omnicare moves to increase operating efficiencies by consolidating functions related to purchasing, formulary compliance and therapeutic intervention programs, medical records, dispensing, marketing, and professional services. The company believes the other functions of the pharmacy should be maintained as they were as an independent pharmacy because these are the things that made the pharmacy successful in its particular market. Therefore, the practices of each Omnicare pharmacy, in many ways, are very different. For example, Westhaven Pharmacy Services, a pharmacy servicing 20,000 beds out of Toledo, Ohio, has a philosophy whereby it sends three people into every nursing home: a consultant pharmacist, a quality control representative, and a customer relations representative. The feeling is that this frees up more of the consultants' time. No other Omnicare pharmacy operates in this manner.

Omnicare's growth strategy has allowed the company to generate economies of scale and streamline operations in order to fund development and expansion of innovative services—designed to improve care for the elderly on a cost-effective basis.

A large contributor to the pharmacy efficiency is Omnicare's arrangement with Heartland Healthcare Services. In late 1994, Omnicare entered into a 50-50 agreement with Heartland Healthcare Services. This venture is to use Heartland's high-volume repackaging facilities in Toledo, Ohio, and Ft. Lauderdale, Florida, to provide greater efficiencies and substantially reduce costs in repackaging

pharmaceuticals for nursing homes. Cost of repackaging at the regional facilities is approximately 80 cents per package. Cost associated in repackaging at Heartland is approximately 20 cents per package. The company is currently repackaging generic drugs and the top 20 branded drugs used in the system.

Omnicare's goal is to repackage 80% of all pharmaceuticals at these facilities in 1999. This would further reduce costs associated with repackaging. The company's goal is to be able to make larger runs and send more packages to regional facilities at one time. In order to accomplish this, the company will

need to increase dating on repackaging by completing stability studies on the new packaging. Omnicare has turned to the manufacturers for help in this area. Currently, Risperdal®, Propulsid®, and Ultram® are being repackaged at Heartland.

After successful acquisitions and standardization of the above functions, Omnicare set out to grow the number of beds served at the regional sites and increase efficiency of pharmacy operations. Omnicare utilizes its National Sales and Marketing force, established in 1994, to increase the number of beds each facility services, promoting the strength of the Omnicare system and the benefits this will provide to the nursing home. The sales and marketing functions are run by Mary Lou Fox, Vice President of Sales and Marketing and past president of Westhaven Pharmacy, a 20,000-bed Omnicare facility.

Higher acuity levels among nursing home residents contribute to sales and earnings momentum, as these patients require more complex care. In turn, this trend has generated greater demand for Omnicare's expanding infusion therapy. Infusion therapy was one of Omnicare's fastest growing market segments in 1996, generating $54 million in revenue. In 1996, despite the company's focus on servicing nursing homes, Omnicare was the fifth largest infusion company in the country. In February 1997, Omnicare acquired two infusion companies and plans to expand this segment of the company. Omnicare is in the process of adding Region IV Managers to their regional structures. The current issue with infusion therapy is competing with hospital services due to lower hospital prices.

Omnicare is also expanding its existing pharmacies to be more competitive in the home health market. According to Omnicare sources, it is currently the eighth largest company in home health. All pharmacies are in the process of incorporating a home health element into their business, to keep Omnicare the dominant player in the long-term care market. Omnicare has also moved into the growing assisted living market. Currently, 10% of Omnicare's sales are going into this market. The company is offering a quarterly review of assisted living resident medications and working with hospitals in rural areas to boost this business segment. Omnicare is also moving toward working with care-planners to follow patients through the various levels of acuity and being the provider of their drugs, infusion, or consulting needs at any level of acuity in the post-acute care market.

Omnicare is also looking to acquire other types of facilities outside of LTC pharmacies. The company feels there will be only so many viable LTC pharmacies to acquire. The company is looking at other businesses to expand the breadth of its services in healthcare. Dialysis centers is an area they are looking into. Northshore Pharmacy Services is currently the only Omnicare pharmacy involved in dialysis.

2. Formulary Management and Clinical Interventions

Omnicare subscribes to the theory that pharmaceutical therapy remains the most cost-effective means of treating the chronic ailments that affect the elderly. Yet simply reducing the cost of pharmaceuticals is not the answer to improving the nation's healthcare system. Omnicare believes that weighing the clinical effectiveness of drug therapy, not just its cost, will ultimately lower healthcare costs and provide better medicine for the elderly. Thus, Omnicare developed the nation's first clinically based drug

formulary tailored to the unique needs of the geriatric patient. It enhances the ability of physicians and other healthcare professionals practicing in long-term care facilities to provide superior care to the elderly while reducing costs.

In 1993, Omnicare began to work with a highly respected and independent academic institution, the University of Sciences in Philadelphia (USP), now named Advanced Concepts, noted for its expertise in long-term care. Disease states and therapeutic drug classes that have the greatest impact on geriatric medicine and long-term care, as well as cost impact on the healthcare system, are selected. The mission of this program has been to create a disease-specific, clinically sound reference for drug

selection, taking into account the unique needs of the elderly in nursing facilities. "Geriatric Pharmaceutical Care Guidelines" is updated annually and contains clinical reviews of more than 100 therapeutic drug classes and over 600 individual drugs.

All drugs are organized by disease state and therapeutic class used to treat that disease. The clinical evaluations and ratings of each drug are performed by USP. Within its therapeutic class, each medication is classified as "Preferred," "Acceptable," or "Unacceptable" based on the drug's effectiveness. Effectiveness is determined based on age-specific variables, interactions with other drugs and food, safety, toxicity, drug administration, other nursing facility considerations, and resulting quality of life.

The criteria used for these clinical rankings are:

PREFERRED: Drugs that have documented, distinguishing positive effects or outcomes compared with other drugs in the therapeutic class, lower potential prevalence of adverse drug reactions, or some unique characteristic that provides a clear clinical advantage in the nursing facility resident population.
ACCEPTABLE: Drugs that have comparable efficacy and safety with minimal distinguishing characteristics (e.g., therapeutic outcome, functional improvement) in the nursing facility resident population.
UNACCEPTABLE: Drugs with greater prevalence or severity of adverse reactions or lack of documented therapeutic efficacy versus other drugs when used in the nursing facility population.
The Preferred, Acceptable, or Unacceptable rating is the view of PCPS clinically in geriatrics per disease state and does not necessarily indicate the drug preferred by Omnicare.

Following the clinical review by USP, every Preferred or Acceptable drug is assigned a dollar symbol, ranging from one to seven dollar signs, representing the drug's relative cost within its therapeutic class by Omnicare's Formulary Champions. The dollar signs are reflective not of contract price to Omnicare, but the end cost to the payer based on a 30-day prescription.

Of clinical relevance to Johnson & Johnson are the following drug categories: Behavioral Disturbances Associated with Dementia, Chronic Pain (non-malignant), GERD, Respiratory Tract Infections, and Urinary Tract Infections.

Risperdal® is rated as a Preferred drug in the category Behavioral Disturbances Associated with Dementia. Risperdal® is currently the number two drug in dollars prescribed in the Omnicare system, representing in excess of $100 million. Risperdal® has been assigned six dollar symbols, more than any other antipsychotic. Clozaril® is rated Unacceptable. Zyprexa is Preferred® and Seroquel is Acceptable. Risperdal® share in the third quarter of 2001 was 58.5%.

The category Chronic Pain (non-malignant) was added in the 1997 formulary update. Omnicare is looking at further review of pain, separating different types of pain in the future, and further defining the

class as three classes: Acute Pain, Chronic Malignant Pain, and Chronic Non-Malignant Pain. Both Ultram® and Duragesic® are rated Acceptable in this category. They each have six dollar symbols. This class rates acetaminophen and salicylates (non-acetylated) Preferable. All of the NSAIDS and opioids are also rated in this class.

Omnicare rated Darvocet® as Unacceptable and has expressed an interest in moving pharmacists from allowing this to be dispensed in the nursing homes. Consultants can lose up to 30% of their total points on monthly "report cards" based on excessive propoxyphene use. Omnicare nationally dispenses 12 million units of Darvocet® per year. Alan Mason, PharmD, Regional Director of Clinical Services in the Gateway Region has created an intervention program to decrease Propoxyphene use. This program incorporates Ultram® as an alternative, and has national possibilities. Omnicare is also in the process of completing a Cytotec® study on GI bleeds, which may be beneficial to Ultram®.

The Proton Pump Inhibitors (PPIs) Prevocid® and Prilosec® are rated as Preferred agents in the GERD category. Previcid® has three dollar signs and Prilosec® has four dollar signs. Aciphex is acceptable..

In the Hospital –Acquired, Nursing Home Acquired Pneumonia section Levaquin is "Preferred". It is acceptable in the Nursing Home Acquired Pneumonia and Upper and Lower Respiratory sections of the formulary. Omnicare is running a prospective intervention aimed at Cipro and UTI's.

The 1997 update includes a practice guideline for depression, a condition that affects 25% of all nursing home residents, and a pathway for pharmacologic management of patients with heart failure based on severity of Dypsnea on Execration. Disease state management programs in progress are congestive heart failure being targeted nationwide, atrial fibrillation at Specialized Pharmacy and Beeber Pharmacy, depression at Westhaven Pharmacy and in Alabama, osteoporosis in St. Louis, and flu nationwide. Omnicare is currently planning for programs to implement in late 1998.

Omnicare currently has nearly 1000 clinical pharmacists that meet regularly with physicians and medical directors to review each resident's progress and drug regimen. By choosing a product with fewer dollar signs in the Preferred or Acceptable class, a physician can provide cost-effective therapy with the best possible clinical outcome. Omnicare has 18 active Patient Specific Therapeutic Interchange Programs in effect. The success of these interchanges determines the rating the consultants get on their report cards. Mark Lehman and Gary Irwin develop a "tool box" complete with pharmacologic drug information and interchange specifics to include charting tools and letters to physicians. The consultant pharmacists are active in having physicians sign therapeutic interchange forms that allow pharmacists to review charts and make switches without having to consult with the physician. Consultants receive report cards from Omnicare showing their success with Omnicare Select

Products and share data on drugs in active therapeutic programs or part of disease state management programs. The PSC Formulary Champions work with the consultants to achieve Omnicare goals on specific drugs. Omnicare states that this effort has helped the company lower the cost of pharmaceutical care to the elderly by approximately 16%. New therapeutic classes will be selected on an annual basis.

When analyzing market share and formulary status, clinically and economically, there does not seem to be a direct correlation between the clinical rating (Preferred or Acceptable), dollar rating ($-$$$$$$), and market share.

Omnicare is able to drive share on multisource products by utilizing the Toledo Heartland facility as a wholesaler and only stocking the one preferred generic.

3. Managed Care/ Information Systems/ Disease State Management/Prospective Payment

The long-term care pharmacy is facing a changing environment as Medicaid and Medicare managed care becomes more of a reality. Omnicare needs to position itself as a provider of information concerning quality and cost-effective outcomes in the post-acute care market. Also, Omnicare's consultants need to become more of a resource both educationally and operationally in the nursing homes. Omnicare is positioned to meet the challenges of managed care. The company's clinically based formulary takes on a greater strategic significance and forms the basis for its role as a pharmaceutical benefit manager for the geriatric population. It also serves as the nucleus of Omnicare's entry into disease and outcomes management.

Toward this goal, Omnicare is integrating information systems to be a more comprehensive provider of geriatric therapies. The company acquired Dynatran Computer Systems, a Portland, Oregon, based software developer, in late 1995. This system provides assessment systems to nursing homes, and incorporates data on patient diagnosis, treatment plans, and health outcomes for each resident. Omnicare's OSCAR2 system is a consultant system that links all 1000 clinical pharmacists with a database of clinical information. The newest addition to the information system is the Oasis. This system will be placed in all regional pharmacies to computerize medical records, dispensing, and billing.

Omnicare currently has the Oasis system running in three pharmacies. PRN in Indianapolis was the first. When Oasis is active in all pharmacies, the company plans to link all three systems together to have a comprehensive system to generate valuable outcomes data to payers and pharmaceutical manufacturers.

In January 1997, Omnicare acquired the international contract research organization Coromed. Coromed provides comprehensive clinical drug development and research services to the pharmaceutical, biotechnical, and medical device industries. Omnicare feels this acquisition will provide a unique opportunity to utilize Coromed expertise in information and data management and will facilitate Omnicare's initiatives in disease state and outcomes by enabling the consolidation and analysis of healthcare data on more than 300,000 elderly residents served by Omnicare.

Omnicare's strategy has produced strong growth and positioned this company to meet the challenges ahead as the long-term care industry moves toward managed care and other models of cost control. To remain competitive as it grows in size and in involvement in managed care, Omnicare has expressed interests in resources to help train internal employees on marketing skills, total quality management

and continuous quality improvement processes, tools to measure performance and report results, risk assessment tools to address capitation/Medicaid risk contracts, and assistance in achieving JCAHO accreditation for all of the company's pharmacy sites.

E. Omnicare Corporate Priorities

Omnicare has indicated that its strategic priorities for 1999 are as follows:

1. Work efficently within the Prospective Payment System
   - —JCAHO accreditation for all pharmacies
   - —Lower cost of pharmacy operations through increased efficiencies
   - —Increase focus on outcomes research and data management to be prepared to provide cost-effective pharmaceutical solutions

IV.Customer's View of Industry & Competition

A. General Practice

Omnicare's strategic priorities are much like those of a pharmaceutical manufacturer—to prove the value of pharmaceutical intervention in a healthcare environment focused on controlling cost. One of Omnicare's strategic priorities is to increase pharmaceutical expenditures from 8% to 12% in the facilities serviced, by demonstrating the ability to use pharmaceutical interventions versus more costly healthcare to improve patient outcomes. Omnicare has invested many resources in increasing its ability to successfully manage the available geriatric data to prove cost-effective outcomes. Another strategic objective is to partner with manufacturers at top levels of both corporations. Both are indicative of a positive view of the pharmaceutical industry overall.

Omnicare subscribes to a three-fold purchasing decision. First, the agent must be at least clinically Acceptable and no less efficacious than the current Omnicare Select Drug. Second, the agent must not be an increased cost to the payer of the bill, whether Medicaid, Medicare, or third party. Third, the drug must offer good margins to Omnicare. Omnicare looks for a good mix of all three in determining an Omnicare Select Drug and designing an interventional program to move share of a designated product.

B. Key Players

Dan Maloney, RPh, Vice President of Purchasing, has the buying authority for Omnicare. Omnicare is in the process of hiring regional purchasing managers who will buy under Dan's authority. Dan's purchasing decisions need to balance with the clinical priorities of Mark Lehman, PharmD, Directors of Clinical Services. For example, if Dan signs a contract agreeing to Risperdal® achieving shares in excess of 80%, it will be Mark's responsibility to put into place the clinical interventions to make sure the contract is executed successfully. Dan, Gary, and Mark report to Tim Bien, RPh, Senior Vice President of Purchasing and Professional Services. Tim is the individual that would balance the priorities and differences between Clinical and Purchasing needs.

The five regional directors of clinical services play a critical role in implementation of clinical initiatives. The 1000 Omnicare consultants take direction from the five regional directors in prioritizing initiatives. Another key player is Cathy Dragon, PharmD, Director of Programs at the Univaersity of the Sciences in Philadelphia, who is the individual responsible for the clinical evaluations that go into Omnicare's purchasing decisions. Omnicare also has a P&T Committee comprised of physicians, directors of nursing, and pharmacists.

C. Customer's Attitude

Omnicare purchases more pharmaceuticals from J&J than any other manufacturer. We have been Omnicare's number one vendor for the past 5 years due to the escalating sales of Risperdal®. The company feels, due to the quantity purchased from J&J, we have not serviced them in the past both contractually and with services and programs they deserve.

Omnicare and J&J signed a 5- year performance-based agreement effective May 1, 1999. The strategic products are Risperdal®, Duragesic®, Propulsid®, Ultram®, Levaquin®, Floxin®, and Procrit®. Omnicare is pleased with the agreement and current working relationship.

Omnicare is encouraged by J&J's commitment to invest in a group of specified long-term care business managers. Omnicare has been pleased with the progress we have made over the past 9 months in learning about each other's organizations and moving toward a direct contracting agreement. We are viewed as a strategic partner.

Omnicare currently has good relationships with Bristol-Myers Squibb; as cited in the 1995 Annual Report, they partnered to develop the first geriatric disease management program on congestive heart failure. In addition, a current Director of Clinical Services, Mark Lehman, worked for several years at Bristol-Myers Squibb in Medical Marketing.

Customer's View of our Competition

How Customer Sees (Scale from 1:Worst to 10:Best)	***Competition***	***J&J Pharmaceutical Companies***
Level of business relationship	8	10
Understanding of customer's business situation	7	9
Product fit to customer's needs	7	10
Positioning in customer's organization	7	10
Product/Service reputation	8	8
Prices	7	7
Helpfulness to customer	8	9
TOTAL	52	63

Identify the Three Most Important Facts About Account's Appraisal of the Situation

1. J&J is the largest supplier of pharmaceuticals to Omnicare. Not only does the company purchase more from us than any other vendor, we also have high market share in Risperdal®—58%, Levaquin-70% and Duragesic®—60%. Omnicare has mentioned repeatedly it is expensive to execute an interventional program to dethrone a market leader.

2. Omnicare has initiated a P.S.T. I. on Risperdal® and a prospective intervention with Levaquin.

3. Omnicare is encouraged by the formation of the Long Term Care Business Group. The company has been impressed with our group and the progress we have made in understanding their business. Omnicare understands that the LTC Business Group has spent in excess of $1,000,000 since 1997 for educational, pull-through, and social activities. They have mentioned on several occasions how pleased they have been with the way our group has taken to this partnership.

V. Situation Appraisal (Our View)

Team Evaluation of the Account (Scale from 1:Worst to 10:Best)	***Score***
Its sales trend (2-3 years out)(In their own market)	10
Its growth vs. our strengths	9
How coachable its people are	7
How much we enjoy working with the account	8
Showcase/referral source for us	10
Recent trends of orders	9
How much it helps us (Give and take or all take, no give)	6
TOTAL	**59**

Compare this team evaluation to that of the customer's view of us and our competition.

Omnicare is an important customer to the J&J Pharma Group due not only to the company's strength in size in the long term care market, but also due to the company's ability to drive market share. Omnicare also has the resources with its information systems and newly purchased CRO's, Coromed and IBAH, to assist us with needed geriatric outcomes data.

J&J is new to this segment of the market with a structured approach to working within this segment. Our relationship with Omnicare has improved during 1999. Omnicare is pleased with the approach we have taken with 14 business managers and offering to create clinical and business programs jointly to fit both parties' strategic goals. We have come a long way in catching long-standing relationships that Omnicare has with Merck, Lilly, and BMS.

VI. Situation Appraisal Summary

A. Strengths

Omnicare purchases more pharmaceuticals from J&J, in dollars, than any other manufacturer.
Omnicare feels it is easier to go with the market leader than to put into place large interventional programs to switch from a market leader. Currently, Risperdal®, Levaquin, Ultram®, and Duragesic® are among Omnicare's top 20 drugs dispensed. Omnicare has implemented a P.S.T.I. with Risperdal® effective July 1, 1997. Currently, plans are under way to incorporate a D/C on propoxphenes that would have an increased market potential for Ultram®.
The diversity and breadth of J&J positions us to be a resource to Omnicare beyond the portfolio of products we represent. We have the resources to contribute to Omnicare's organizational and business issues; for example, our expertise in marketing, sales training, risk assessment reimbursement, and performance measurement.
J&J Pharma Group has signed a five year performanced based contract with Omnicare. The contract offers significant rebate opportunities for driving share of Risperdal®, Duragesic®, Ultram®, Levaquin®, Floxin® and Procrit®.

B. Opportunities

The Risperdal® P.S.T.I program will continue with new acquisitions inserviced throughout 2002..
LTCBMs have been assisting Omnicare at individual regional sites by inservicing 80% of their total beds. The issue now becomes the ability to track the effectiveness of the intervention program. Omnicare has been very limiting regarding specific utilization data. If we can generate this information, it will help us to become more specific in addressing regional areas that need more attention. We also have an opportunity to perform a retrospective study looking at the efficacy, tolerability, and cost of Risperdal® in the geriatric patient population.
Pain is categorized in the formulary as one disease state—Chronic Pain (non-malignant). Pain has become a big issue in long term care with the MDS 2.0, state regulations, and national events surrounding pain. We can leverage our deep product line in pain to help Omnicare better categorize types of pain, appropriate therapies for different types of pain in the long-term care setting, and ways to manage side effects of pain medications. We can also help Omnicare develop pain assessment tools, which regional pharmacies are looking for due to many that regulations individual states are putting on pain assessment in nursing homes. Omnicare plans to roll out a national pain initiative during the second quarter of 1998.

C. Trends

Consolidation and acquisitions of pharmacy providers in the long-term care market.
The reality of capitation in the form of Prospective Payment Systems has become Federal Law on July 1, 1998.
Expansion of services into the Assisted Care Living and Home Health Care arenas.
Movement of payers from private insurance, fee for service, and government to managed care; this trend results in the need for pharmacies to become a source of information, as well as a source of pharmaceuticals, leading to:
—Increased need for information systems
—Increased need for ability to gather outcomes data
As pharmacies become large corporations made up of smaller regional pharmacies, their needs to acquire skills in marketing, management, training, etc. are increasing.
The requirements on consultant pharmacists continue to increase which decreases their time to implement new interventions.

D. Key Players

Sponsors
Tim Bien RPh, Senior Vice President of Purchasing and Professional Services

Antisponsors

None Identified

Strategic Coaches

Dan Maloney, Vice President of Purchasing. Prior to working with Omnicare Corporate, Dan was with Interlock Pharmacy, now an Omnicare-owned pharmacy, in operations.

Mark Lehman, PharmD, Director of Clinical Services. Prior to working for Omnicare, Mark was in the pharmaceutical industry. He worked for BMS in Medical Marketing. Prior to that he was a representative for Lilly.

Cathy Dragon, Director of Program Development, Philadelphia College of Pharmacy and Science.

Five Regional Directors of Clinical Services.

Ten Regional Vice Presidents.

E. Vulnerability

This account represents $200 million worth of sales. All of our products do have competition that could replace at least a portion of this business. Risperdal® is currently 60% of our sales with Omnicare. Zyprexa® has been very aggressive with Omnicare. Omnicare has indicated that in newly acquired pharmacies, Zyprexa® has increased quickly. Eli Lilly has also been very active in the long-term care market for the past 5 years.

VII. LAMP Matrix

Strengths Vulnerability	Opportunities	Trends	Key Players	Possible Goals
Contracts: Dollar Potential: Risperdal®	1. Risperdal® share 2. Heartland Repackaging Initiative. 3. Coromed - Outcome Based Research. 4. Pain Initiative 5. Anti - Infective Initiative.	1. Continued acquisition of pharmacies. (Growth). 2. Movement of payers to managed Medicaid or Medicare. Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Mark Lehman, PharmD, Director of Clinical Services. 4.Cathy Dragon, Director, Clinical Outcomes – Advanced Concepts	1. Assist Omnicare with Heartland repackaging project for all strategic brands 2. Become Omnicare's resource for pain, behavior management, and anti-infective therapy
Strength: Breadth of J&J Resources Product Line:	1. Risperdal® share. 2. Heartland Repackaging Initiative. 3. Coromed - Outcome Based Research. 4. Pain Initiative. 5. Anti - Infective Initiative.	1. Continued acquistion of pharmacies. (Growth) 2. Movement of payers to managed Medicaid or Medicare. Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Mark Lehman, PharmD, Director of Clinical Services 4. Cathy Dragon, Director, Clinical Outcomes – Advanced Concepts	1. Partner to assist with reimbursement issues utilizing JPI reimbursement managers and JJHCS government affairs directors 2. Implement outcomes projects in APS and anti-infectives 3. Assist with JACHO accreditation
Strength: Partnership in Outcomes Management	1. Risperdal® share. 2. Heartland Repackaging Initiative. 3. Coromed - Outcome Based Research. 4. Pain Initiative. 5. Anti - Infective Initiative.	1. Consolidat- ion of pharmacies 2. Movement of payers to managed Medicaid or Medicare. Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Gary Erwin, Vice President Health Systems 2. Cathy Dragon Director, Clinical Outcomes – Advanced Concepts .	1. Outcomes project in APS 2. Outcomes project in anti-infectives 3. Pain management program. 4. Regranex® outcome research for pressure ulcers
Vulnerability: Loss of Sales; Zyprexa® Threat to Risperdal®	1. Risperdal® share. 2. Heartland Repackaging Initiative. 3. Coromed - Outcome Based Research. 4. Pain Initiative. 5. Anti - Infective Initiative..	1. Consolidat- ion of pharmacies 2. Movement of payers to managed Medicaid or Medicare. Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Mark Lehman, PharmD, Director of Clinical Services	1. Risperdal® interventional program 2. Pain interventional program 3. Anti - Infective Intervention Program

Contract Summary

This will be a five-year offer.
The contract is a combination charge-back and rebate agreement.
Strategic products are Risperdal®, Duragesic®, Ultram®, Reminyl®, Floxin®, and Levaquin®. They are all eligible for both a quarterly performance rebate and an annual performance fee.
Rebates are earned on the basis of:

- Actual market share attained
- Product's position on formulary with no competitive disadvantages
- Product designated, at minimum, "Acceptable" on formulary

Strategic product performance fee is earned upon:

- Implementing J&J approved interventional programs
- Achieving pre-determined performance tier
- Additional utilization
- Additive to the quarterly rebates

Market share is calculated on the basis of days of therapy derived from DACON measure.
All J&J products are purchased at contract price (distributor list price less a small discount for capturing charge-back). The rebated products shall also be purchased and rebated at this price-protected contract price. Contract price is price-protected for the first 12 months of the agreement. For the subsequent term, there will be no more than one price change per line item during the 12 months and the aggregate price increase will be CPI +2.

VIII. Putting It All Together

Charter Statement

J&J supplies high-quality products and jointly created clinical and business programs to Omnicare that aid Omnicare in achieving corporate goals and objectives.

Four Best Opportunities

Focus efforts in generating Risperdal® share of atypical APS market through interventional programs targeting conventional antipsychotics and Seroquel.
.Develop Alzheimer's Initiative and push for education programs at provider sites.
Continue to execute Levaquin® intervention quinolone program.
Establish relationships with Omnicare CRO for outcome based research opportunities.

Three Best Goals

Become Omnicare's resource for pain, behavior management, and anti-infective therapy through clinical expertise, clinical interventional tools appropriate to LTC, outcomes data, and value-added services.
Partner to assist with reimbursement Medicaid/Medicare/Prospective Payment issues utilizing JPI reimbursement managers and JJHCS government affairs directors.
Implement outcomes projects in APS and AD markets..

Primary Revenue Target

Omnicare will purchase $200 million from the J&J Pharmaceutical Group.

Single Best Opportunity

Risperdal® preferred status on Omnicare's Geriatric Guidelines. To continue this formulary status and to implement Risperdal® PSTI program at all regional sites. Risperdal has the largest dollar potential and the most to lose.

Focus Investment *(Resources Needed)*

APS programs geared to the LTC patient population
Continued funding for Levaquin® interventional program
Omnicare CRO research projects.

Stop Investment

Monies spent on consultant resources without focus on Omnicare corporate will be money poorly invested.

IX. GOAL ACTION PLAN

Goal: Improve market share of the J&J Pharmaceutical products. Develop long-term relationship with Omnicare, Inc.
Primary Revenue Target (2002) Q1 $48M Q2 $48M Q3 $50M Q4 $52M

Objectives	1st Quarter FY 1998	2nd Quarter FY 1998	3rd Quarter FY 1998	4th Quarter F	Comments
Projects with Omnicare CRO's	Set up arramgements for "Capabilities Presentation" for Omnicare CRO at Janssen Titusville.	Meeting – Capabilities for Omnicare CRO's in Titusville			
Levaquin® Program					
Risperdal® P.S.T.I.					

X. Review & Measurement

Ninety-Day Review		
Five Critical Facts	**Opportunity or Threat**	**Implications for Strategy**
1.Good ongoing relationship with Omnicare. 2. Risperdal now shares "Preferred Status with Zyprexa in Behavorial Management category of Geriatric Guidelines. 3. No current relationship exists for future studies using Omnicare CRO.Lilly has their CRO Preferred. 4.Acceptable status to be given to Levaquin for Community –Acquired Pneumonia in newest Geriatric Guideline. 5. All Cholinesterase Inhibitors are acceptable in category..		

APPENDIX A
OMNICARE ACCOUNT TEAM

Bruce Cummins - Long Term Account Director

REDACTED

Matt Lawrence - Term Care Account Manager

REDACTED

Tom Zavasky

REDACTED

Tom Mackey

REDACTED

Joe Shellem

REDACTED

Haresh Kaneriya

REDACTED

Blaine Morris

REDACTED

Sue Cooper

REDACTED

APPENDIX B
SALES RESULTS

PRODUCT	2000 SALES	2000 MARKET SHARE	2001 SALES MARKET	2001* SHARE
Risperdal®	$68,364620	57.7%	$96,226,896	58.5%
Levaquin®	$15,009,170	63.3%	$17,745140	66.23%
Duragesic®	$18,931913	58.2%	$24,953,794	59.5%
Ultram	4,909,367	46%	$5,566,402	41.87%
Procrit			$26,690,242	
Aciphex	$975692	2.6%	$2,512,616	2.7%
Total			$	